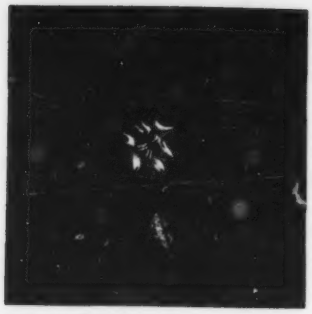


Highlights 1990 ONTARIO BUDGET

ROBERT NIXON • TREASURER OF ONTARIO

90-06065/

HIGHLIGHTS

1990 Ontario Budget

Robert Nixon
Treasurer of Ontario and
Minister of Economics

1990 Budget Summary

Fiscal Summary
($ Million)

	Interim 1989-90	Budget Plan 1990-91	Per Cent Change
Revenue	**41,690**	**44,536**	**6.8**
Expenditure	**41,655**	**44,506**	**6.8**
Surplus	**35**	**30**	

Economic Summary
(Per Cent)

	1989	1990
Gross Domestic Product		
- Nominal Growth	**8.7**	**6.7**
- Real Growth	**2.8**	**1.7**
Inflation (Consumer Price)	**5.8**	**4.9**
Employment Growth (000s)	**87**	**64**
Unemployment Rate	**5.1**	**5.6**
Housing Starts (000s)	**93**	**81**
Real Business Investment Growth	**7.9**	**6.1**

1990 Ontario Budget Highlights

In the 1990 Budget, the Government is putting forward a plan that addresses the realities of the 1990s: an aging population, working families, a commuting labour force, the need for clean water and the demands of competing in a global marketplace.

- Balanced budget for a second consecutive year - surplus of $30 million.
- Operating surplus of $3.2 billion.
- Eighth consecutive year of economic expansion with real growth of 1.7 per cent.
- Tax reduction for 115,000 low-income families.
- $48 million in interest rate assistance for farmers.
- Tax incentive to stimulate investment in manufacturing.
- $52 million to initiate long-term care reform.
- $1.3 billion four-year health capital plan.
- $48 million assistance for Land Stewardship.
- Extension of GO Transit.
- $300 million extension of school capital funding.
- A new assessment corporation to meet municipal priorities.
- One cent tax increase per cigarette.

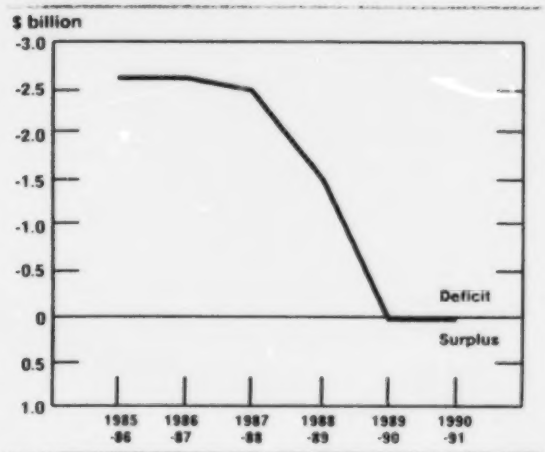
Introduction

Revenues rise to $44.5 billion, an increase of 6.8 per cent. Taxes are reduced for many Ontarians and there are no general tax increases.

Expenditures to be $44.5 billion, an increase of 6.8 per cent.

Following the elimination of Ontario's deficit last year, and to maintain stability and fiscal flexibility, the 1990-91 Ontario Budget is balanced.

Deficit/Surplus
1985-86 to 1990-91



Continued Economic Expansion

The economy is now in its eighth consecutive year of expansion. Real output is expected to grow by 1.7 per cent after growth of 2.8 per cent in 1989.

A Foundation for Growth

Ontario's industries must grow and compete internationally. Maintaining a competitive strategy will require a healthy, well-educated and adaptable work force, as well as continued development of infrastructure. In addition, business must be able to operate at a reasonable cost, within a competitive tax structure and a stable and predictable fiscal climate.

Manufacturing Investment

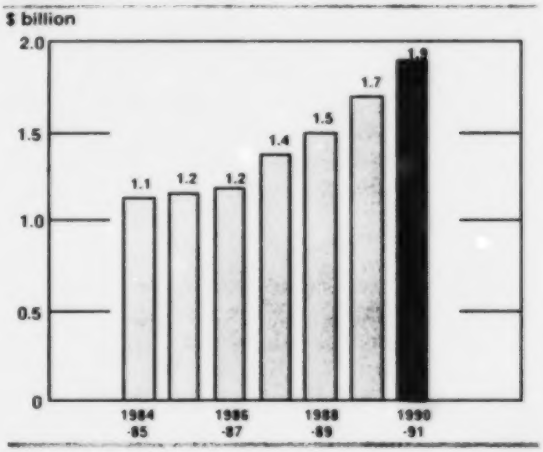
In the 1988 Budget, the Ontario Current Cost Adjustment (OCCA) was introduced to reinforce Ontario's attractiveness for new manufacturing machinery and equipment investment. The OCCA rate was set at 10 per cent for 1989, 15 per cent for 1990, and will be doubled in this Budget to 30 per cent, commencing January 1, 1991.

At maturity, this improvement will result in an additional $140 million to encourage continued new manufacturing investment.

Transportation

Total transportation spending will be almost $2.5 billion in 1990-91, including $310 million in Transportation Capital Program funding.

Transportation Capital Spending
1984-85 to 1990-91



The Government recently announced an expansion of municipal transit in the Greater Toronto Area and improvements to GO services, requiring up to $5 billion over the next ten years, from the Province, municipalities and the private sector.

To continue the enhancement of viable alternatives for commuters, the Government is extending GO rail to Barrie, Bowmanville and Guelph. Future extensions of GO to Brantford and Peterborough will be reviewed.

The Province will also instruct the Ontario Northland Transportation Commission (ONTC) to open talks with the federal government toward the ONTC re-establishing a night train service between northeastern and southern Ontario.

Ontario has asked the federal government to expedite the renegotiation of the Canada-U.S. Tax Treaty in regard to trucking so that Canadian and U.S. carriers compete on a more equal basis. In the meantime, the Province will require American-based truckers to pay Provincial corporate income tax for business conducted in Ontario.

Training

In our continuing effort to upgrade skills and address shortages, Ontario will provide an additional $11 million for the in-school training of apprentices in 1990-91. This will bring Ontario's share of spending on apprenticeship and related programs to $46 million this year.

Universities

To help provide for modern equipment and library materials, and to enhance the quality of education, $18 million has been allocated for universities. This is in addition to the $1.8 billion for university operating grants already announced in November.

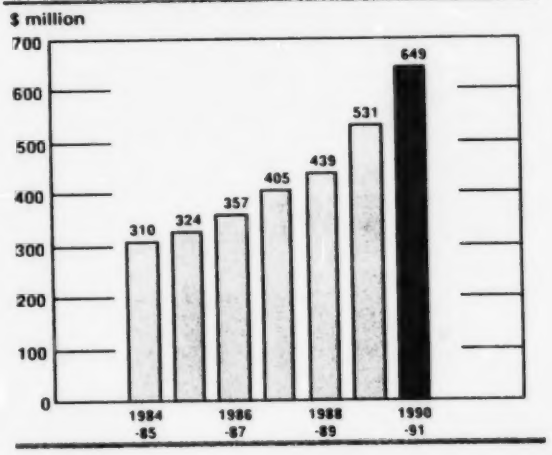
Education Capital

The multi-year Provincial capital commitment for schools is extended for a fifth year, to provide at least $300 million in 1993-94. When combined with local contributions, this will allow for an additional $500 million in school construction. Through this multi-year commitment, the Government will provide a total of $1.5 billion.

Toward a Clean Environment

Funding provided to the Ministry of the Environment will total $649 million in 1990-91, an increase of 22 per cent over last year.

Ministry of the Environment Spending 1984-85 to 1990-91



The Government recently announced several significant initiatives to improve the quality of life and respond to increasing urban needs in the Greater Toronto Area, including the creation of a major urban park in the Rouge Valley and the planned development of a community of 90,000 at Seaton.

Water and Sewer

The supply of clean, safe water is vital to this province's future. Our current water and sewer capital programs will provide $175 million in grants and $71 million for loans in 1990-91, but projections are for greatly increasing needs for new and rehabilitated facilities.

To meet these needs, funding will be transferred to the new water and sewer crown corporation to be established early in 1991. It will build and operate water and sewage facilities in cooperation with municipalities and the private sector. Funding of new water and sewage development will be assisted by the corporation's ability to borrow with a Provincial guarantee of its debt.

Waste Abatement

Funding of $70 million will be provided in support of municipal, institutional and industrial waste management, a 61 per cent increase over last year.

Ontario's approach to waste abatement will require the producers of waste to pay for a greater share of the costs of developing new and safe landfill and incineration facilities.

Niagara Escarpment Plan

The Niagara Escarpment Commission is responsible for ensuring balanced use of its resource endowment while maintaining the escarpment. Funding and responsibility for the Niagara Escarpment Plan and Commission are being transferred from the Minister of Municipal Affairs to the Minister of the Environment. This recognizes the unique environmental significance of the escarpment area.

Balanced Development for Ontario

In this Budget, the Government continues its commitment to a more equitable distribution of the benefits of economic growth in all regions of the province.

Decentralizing Government

The $275 million Northern Ontario Relocation Program is providing substantial economic benefits to Northern Ontario through the transfer of 1,600 government jobs and the construction of six new buildings. The Government plans to continue decentralizing its functions from the Metropolitan Toronto area over the next several years.

Agriculture

Farmers face unique challenges - unpredictable commodity prices, unfair international subsidy practices, uncertain growing conditions and increasingly intensive capital requirements. To help meet these challenges, $48 million has been allocated for new interest rate assistance to farmers.

In support of environmentally sound agricultural practices, $48 million over four years will be provided for soil conservation through the Land Stewardship Program.

Forestry

The Canada-Ontario Forest Resource Development Agreement expired more than a year ago. Ontario will again supplement its own $15 million share with an additional $18 million, for a total expenditure on forest management of $232 million this year.

Mining

A healthy investment climate for mineral exploration is needed to ensure a dynamic mining industry. The federal budget's termination of the Canadian Exploration Incentive Program removes support for mineral exploration. To help promote

mineral exploration, an extra $25 million will be allocated over three years to expand the Ontario Prospectors' Assistance Program and the Ontario Mineral Incentive Program.

An additional $5 million in special incentives will also be provided over the next three years to encourage exploration in the vicinity of selected northern Ontario communities.

Improving Social Services

Efficient, high-quality social services and a fair distribution of the benefits of the province's wealth are fundamental to the well-being of the people of Ontario.

Long-Term Care Reform

Over the next decade, the number of elderly and persons with disabilities will increase dramatically. This will require fundamental reform in the way we provide long-term care in the province. To achieve this goal, the Budget includes funding for the comprehensive reform of long-term care.

Long-term care reform will create new, community-based service access agencies. These will allow people to find the help they need in one place and will ensure that appropriate care is provided, either in their homes or, where necessary, in long-term care facilities.

The new system of community-based access and in-home support will have increased funding of up to $410 million by the middle of the 1990s. Included is $11 million in immediate funding to improve visiting homemakers' compensation. In addition, $30 million will be provided for expanded home-support services delivered by community agencies. Co-payments will offset some of the costs of non-health-care services such as homemaking and meal preparation. There will be no charges for personal care and lower-income Ontarians will be exempt.

A consistent level-of-care funding system will be introduced for Homes for the Aged and Nursing Homes, so more resources will be available to care for residents with greater needs. Through increased resident and government contributions, more than $200 million in additional funding will be available to these facilities by 1992.

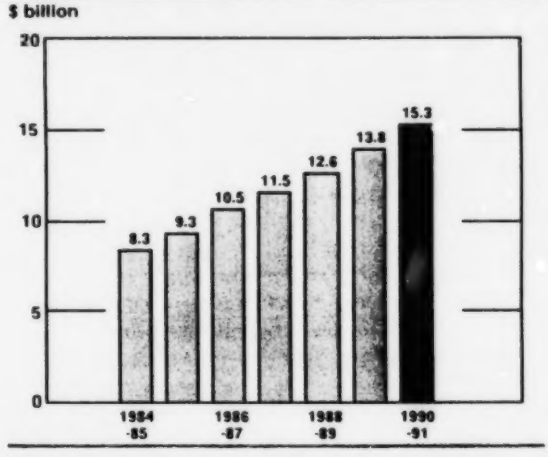
Increased funding of $52 million is provided in this Budget to initiate the reform.

Hospital Funding

The Government will provide $1.3 billion for health capital over the next four years. For 1990-91, $250 million will be allocated for health capital. Approximately $300 million of this multi-year funding is designated to increase cancer treatment capacity throughout the province.

Funding for the operation of hospitals will increase by 9.7 per cent, to $6.6 billion.

Ministry of Health Spending
1984-85 to 1990-91



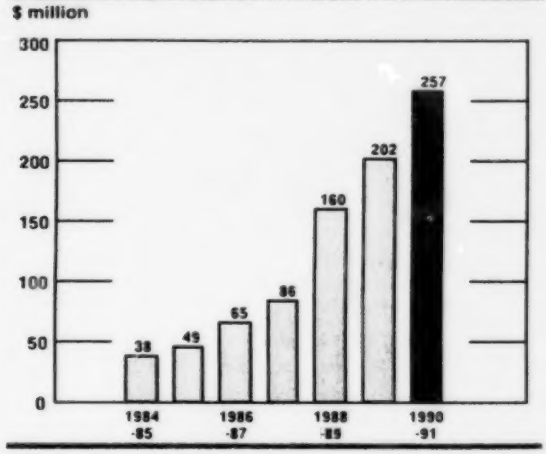
Note: Data adjusted to exclude impact of advanced payments.

In 1990-91, total Ministry of Health spending will increase by 10.9 per cent to $15.3 billion, or $1.5 billion more than last year.

Child Care

This year, combined federal and provincial contributions for child care will be $396 million, an increase of 16 per cent over 1989-90 spending. Due to Ottawa's limitation on Canada Assistance Plan (CAP) cost-sharing, federal contributions will remain at last year's level of $139 million. Ontario's share will be $257 million, an increase of 27 per cent over last year. This funding includes $10 million to operate newly licensed spaces in schools and non-profit centres.

Ontario Share of Child Care Spending 1984-85 to 1990-91



Community Agency Compensation

Last year's Budget announced improved compensation for lower-paid workers in agencies. A further $58 million on an annual basis is provided to increase compensation in community agencies.

Assistance for Low-Income Families

Ontario income taxes for lower-income families with children will be reduced. The Ontario Tax Reduction program will be enriched to provide a $200 supplement in respect of each dependent child age 18 or under. An additional $200 supplement will be provided in respect of dependants with disabilities, regardless of age. Where a child with disabilities is being cared for at home, the supporting parent may claim both supplements, for a total of $400.

The improved Ontario Tax Reduction will provide 250,000 supplements on behalf of children and dependants with disabilities, benefiting 115,000 families.

The cost of this initiative is estimated at $44 million in 1990-91, increasing the total cost of the Ontario Tax Reduction to $88 million.

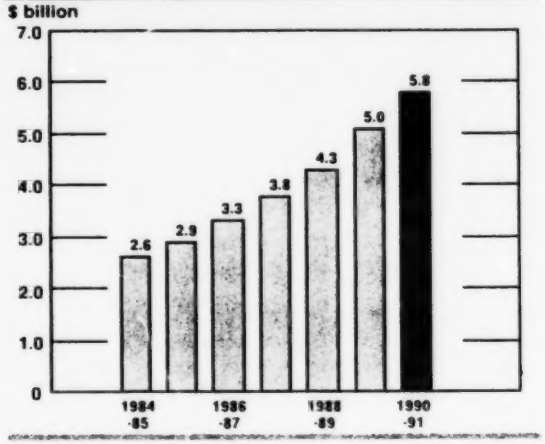
Social Assistance

In last year's Budget, the Government undertook a major reform of social assistance. The cost of reform was to be shared with the federal government; however, in its recent budget, Ottawa announced it was freezing Ontario's CAP entitlement at five per cent above that of 1989-90. Ontario will not follow the federal direction. The Budget continues to provide funding for the reform process.

In the fall of 1989, children's benefits were improved and the Supports to Employment Program was initiated. As of January 1990, social assistance recipients also benefited from increased rates and improved shelter allowances. Basic benefits and shelter allowances will be increased by five per cent, effective January 1, 1991. In total,

social assistance spending will grow by $406 million, or 16 per cent over last year.

Ministry of Community and Social Services Spending: 1984-85 to 1990-91



Native Social Services

As part of the Government's ongoing commitment to the aboriginal peoples of the province, an additional $14 million will be provided for Native-managed social service initiatives. This funding will support and strengthen our Native communities.

Property Assessment

Assessment of property value on behalf of municipalities is currently undertaken by the Ministry of Revenue. A main objective of the assessment program is to ensure that a consistent assessment base exists in Ontario. The Province will establish the Property Assessment Corporation to better meet the assessment priorities of municipalities. The Province will transfer its $108 million allocation for assessment activities to this Corporation.

Federal Goods and Services Tax

The planned implementation of the federal Goods and Services Tax (GST) on January 1, 1991, will result in significant disruptions for business and consumers. Ontario finds the federal GST unacceptable. No fundamental changes are made to Ontario's Retail Sales Tax in this Budget.

This Budget increases the rate of compensation for vendor collection from four per cent to five per cent and increases the annual maximum compensation from $1,000 to $1,500. Other minor changes are made to definitions and administrative practices.

Revenue

This Budget contains a tax increase on tobacco. The tax per cigarette will be increased by one cent and the tax on cut tobacco will be made consistent with that on cigarettes. Together these changes will raise $158 million in 1990-91.

Renewing Federal-Provincial Fiscal Relations

The concerns recently expressed by many provinces about fiscal arrangements with Ottawa are shared by Ontario. A constructive resolution must be found. It is the Government's intent to seek opportunities to work with Ottawa, the provinces and the territories towards the renewal of fiscal arrangements, and in the process to contribute to strengthening Canadian federalism.

Conclusion

The Government is maintaining its proven record of responsible fiscal management and social and economic progress. Ontario's Budget has been balanced while reducing taxes for many families and businesses. This is a solid basis for our continued shared prosperity in a healthy and safe Ontario.

Last year Ontario achieved a balanced budget for the first time in 20 years - another balanced budget is presented for this fiscal year. This year total debt will be reduced by $430 million - the first reduction in Ontario's debt in 43 years.

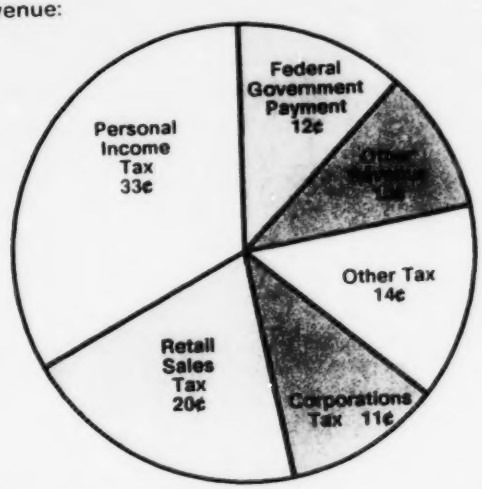
The leadership of Premier David Peterson in all these initiatives has been strong, confident and effective. As we complete our first five years in office we are proud of our achievements in fulfilling our priorities, meeting our objectives and balancing our budget.

Expenditure
($ Million)

Ministry	Interim 1989-90	Budget Plan 1990-91
Agriculture and Food	515	558
Attorney General	493	539
Office Responsible for Native Affairs	6	6
Citizenship	48	56
Colleges and Universities	2,745	2,971
Community and Social Services	5,046	5,846
Office of Francophone Affairs	4	4
Consumer and Commercial Relations	157	163
Correctional Services	470	521
Culture and Communications	314	317
Education	5,329	5,788
Energy	38	51
Environment	497	578
Executive Offices	8	9
Financial Institutions	42	59
Government Services	669	684
Health	13,807	15,313
Housing	530	666
Industry, Trade and Technology	148	188
Technology Fund	72	85
Intergovernmental Affairs	9	10
Labour	139	154
Management Board	52	61
Contingency Fund	–	153
Municipal Affairs	980	1,028
Natural Resources	588	606
Northern Development and Mines	318	345
Office for Disabled Persons	9	8
Office Responsible for Senior Citizens' Affairs	9	8
Office Responsible for Women's Issues	18	19
Revenue	832	879
Skills Development	239	248
Solicitor General	496	556
Tourism and Recreation	187	200
Transportation	2,312	2,498
Treasury and Economics	31	32
Economic Development Projects	51	60
Public Debt Interest	4,283	4,310
Board of Internal Economy	103	113
Advance Payments:		
Colleges and Universities		(110)
Education	140	(440)
Health	334	(334)
Municipal Affairs	(413)	–
Expenditure Savings and Constraints	–	(300)
Total	41,655	44,506

The Budget Dollar: 1990-91

Revenue:



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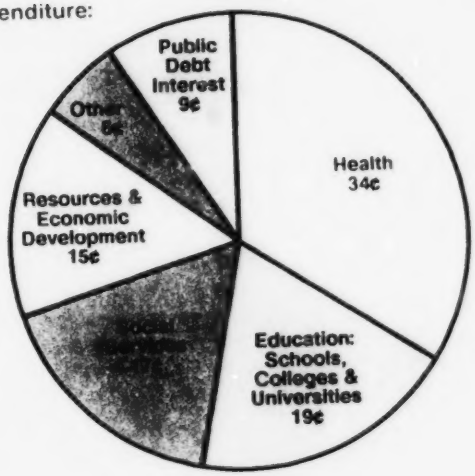

Enquiries

General enquiries about the 1990 Ontario Budget should be directed to:

Ministry of Treasury and Economics
Frost Building South, Queen's Park
Toronto, Ontario
M7A 1Y7
(416) 965-7171

1990 ONTARIO BUDGET

ROBERT NIXON · TREASURER OF ONTARIO

1990
Ontario
Budget

Presented to the Members of
the Legislative Assembly of Ontario by
Robert Nixon
Treasurer of Ontario and Minister of Economics
April 24, 1990

General enquiries regarding policy in the *1990 Ontario Budget* should be directed to:

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Frost Building South, Queen's Park
Toronto, Ontario M7A 1Y7

(416) 965-7171

Enquiries regarding specific measures in the *1990 Ontario Budget* should be directed to the addresses given in Budget Paper A to the Budget Statement, or telephone 1-800-387-1990. Users of a Telephone Device for the Hearing Impaired may telephone 1-800-263-7776.

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880 Bay Street, Toronto, or
Ministry of Revenue
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50 Grosvenor Street, Toronto

Or write:

Publications Ontario
5th Floor, 880 Bay Street
Toronto, Ontario M7A 1N8

Or telephone:

(416) 326-5320
Toll free long distance 1-800-668-9938

Printed by the Queen's Printer for Ontario.

ISSN 0381-2332

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Toronto (Ontario)
M7A 1Y7

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1990 Ontario Budget
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- $48 million assistance for Land Stewardship.
- Extension of GO Transit.
- $300 million extension of school capital funding.
- A new assessment corporation to meet municipal priorities.
- One cent tax increase per cigarette.

1990 Ontario Budget

In presenting the 1990 Budget to the House, I will report on our provincial economy, announce levels of expenditure for programs and explain how the bills will be paid.

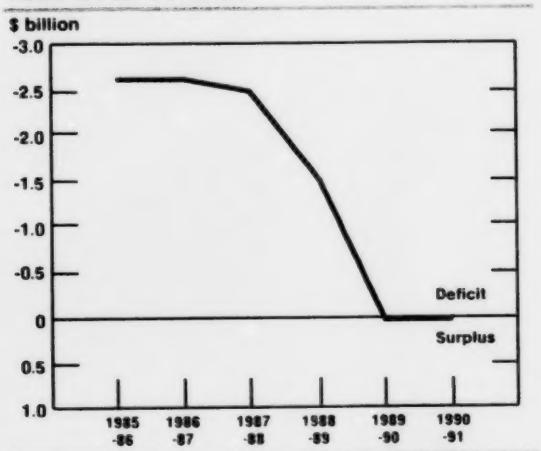
First, let me summarize our fiscal position.

Revenues are expected to rise to $44.5 billion, an increase of 6.8 per cent. Taxes are reduced for many Ontarians and there are no general tax increases.

Expenditures are also estimated to be $44.5 billion, an increase of 6.8 per cent.

Following the elimination of Ontario's deficit for the fiscal year just ended, and to maintain stability and fiscal flexibility, I am reporting today that this Budget is balanced.

Deficit/Surplus
1985-86 to 1990-91



The fiscal position that we have achieved allows the Government to pursue its agenda for the continued renewal and modernization of Ontario's programs and services.

In this Budget, we are putting forward a plan that addresses the realities of the 1990s: an aging population, working families, a commuting labour force, the need for clean water and the demands of competition in a global marketplace.

Continued Economic Expansion

The economy is now in its eighth consecutive year of expansion. Real output is expected to grow by 1.7 per cent after growth of 2.8 per cent in 1989. Solid gains in business investment and ongoing expansion of consumer spending will be the main sources of economic growth this year. Slower growth reflects the impact of high interest rates and a high exchange rate for the Canadian dollar. Further key indicators of economic performance are shown in the table below.

Ontario Economic Performance and Outlook
(Per Cent)

	1989	1990
Gross Domestic Product		
- Nominal Growth	8.7	6.7
- Real Growth	2.8	1.7
Inflation (Consumer Price)	5.8	4.9
Employment Growth (000s)	87	64
Unemployment Rate	5.1	5.6
Housing Starts (000s)	93	81
Real Business Investment Growth	7.9	6.1

A Foundation for Growth

Our province's industries must be able to grow and compete internationally. Ontario's advantage lies in developing its technologically advanced economy, relying upon innovation and a highly skilled labour force. Ontario does not

seek to compete through low wages, inadequate environmental standards or poor protection of the public interest. On the contrary, the Government believes those who make the investment decisions on a global basis are not looking for sweatshop conditions.

Maintaining this competitive strategy will require a healthy, well-educated and adaptable work force, as well as continued development of the province's infrastructure. In addition, business must have the opportunity to operate at a reasonable cost, within a competitive tax structure and a stable and predictable fiscal climate. Only in this way can we provide a strong economy and jobs for the future.

Manufacturing Investment

New investment in manufacturing machinery and equipment will be vital to Ontario as business responds to the realities of the Free Trade Agreement, increased global competition, high interest rates and a high Canadian dollar.

In the 1988 Budget, the Ontario Current Cost Adjustment (OCCA) was introduced to reinforce Ontario's attractiveness for new manufacturing machinery and equipment investment. The OCCA rate was set at 10 per cent for 1989, 15 per cent for 1990, and will be doubled in this Budget to 30 per cent, commencing January 1, 1991.

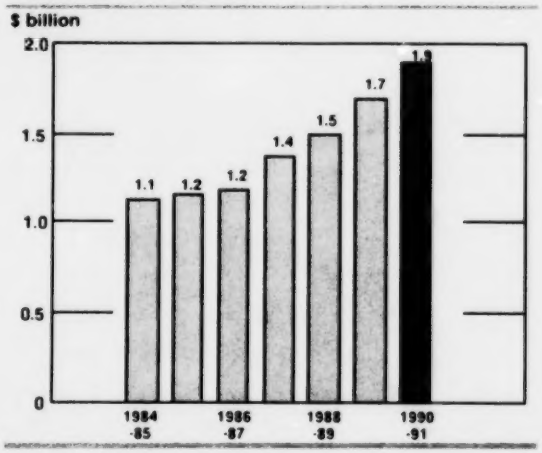
At maturity, this improvement will result in an additional $140 million to encourage continued new manufacturing investment.

Details of this change can be found in Budget Paper A.

Transportation

An efficient transportation system is essential to Ontario's growing economy. To respond to this need, the $2 billion Transportation Capital Program was introduced in last year's Budget. This five-year program is providing $1.2 billion for various provincial highway projects throughout the province, $400 million in GO Transit service improvements and $400 million for municipal roads and transit. Total transportation spending will be almost $2.5 billion in 1990-91, including $310 million in Transportation Capital Program funding.

Transportation Capital Spending 1984-85 to 1990-91



The Government has recently announced a comprehensive expansion of the municipal transit system in the Greater Toronto Area. The projects in this program will result in a rapid transit network of over 140 kilometres. As well, the Minister of Transportation announced improvements to GO services. These plans will require up to $5 billion over the next ten years from the Province, municipalities and the private sector.

To continue the enhancement of viable alternatives for commuters, the Government is introducing a further service expansion - immediate GO rail extensions to Barrie, Bowmanville and Guelph. Future extensions of GO to Brantford and Peterborough will be reviewed.

The Minister of Transportation will announce details.

In January, the federal government discontinued the VIA Rail night train service, which provided an important link between northeastern and southern Ontario. The Ontario Government, through the Ontario Northland Transportation Commission (ONTC), has continued its day train service. The ONTC will be instructed by the Province to open talks with the federal government toward the ONTC re-establishing a night train service.

Further details will be provided by the Minister of Northern Development.

A healthy trucking industry is important to Ontario's competitiveness. Current federal and provincial tax laws do not provide a level playing field for Ontario's trucking industry to compete with business based in the United States. I have, therefore, asked the federal Minister of Finance to expedite the renegotiation of the Canada-U.S. Tax Treaty in regard to trucking so that Canadian and U.S. carriers compete on a more equal basis. In the meantime, the Province will introduce its own measures to require American-based truckers to pay Provincial corporate income tax for business conducted in Ontario.

Training

Demographic, technological and economic changes are creating competitive challenges as well as opportunities for Ontario. The Government supports the view of the Premier's Council on Technology that labour and business, working together, have a key role in addressing the training and adjustment requirements of the labour market.

The Government views training as a responsibility to be shared with the federal government, as well as with industry and labour. If Canada is to have a productive work force, the provinces and the federal government must work together to build high quality training opportunities throughout the nation.

Ontario will do its part. In our continuing effort to upgrade skills and address shortages, Ontario will provide an additional $11 million for the in-school training of apprentices in 1990-91. This will bring Ontario's share of spending on apprenticeship and related programs to $46 million this year.

Universities

To help provide for modern equipment and library materials, and to enhance the quality of education, $18 million has been allocated for universities. This is in addition to the $1.8 billion for university operating grants already announced in November.

Budget Paper D provides a profile of Ministry of Colleges and Universities spending.

Education Capital

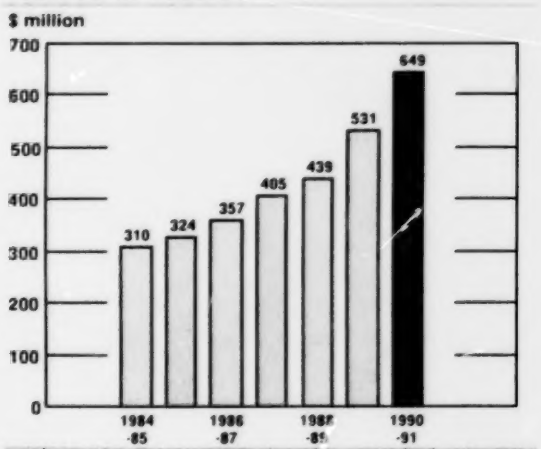
In the 1988 Budget, the Government responded to local needs for school facilities with a $900 million, three-year commitment to school construction and renovation. This commitment was increased to $1.2 billion over four years in the 1989 Budget.

The multi-year Provincial capital commitment for schools is extended for a fifth year, to provide at least $300 million in 1993-94. When combined with local contributions, this will allow for an additional $500 million in school construction. Through this multi-year commitment, the Government will provide a total of $1.5 billion.

Toward a Clean Environment

The Government places a high priority on protecting and enhancing our environment. Funding provided to the Ministry of the Environment will total $649 million in 1990-91, an increase of 22 per cent over last year. In this fiscal year, capital outlays by the Ministry will increase by 34 per cent to $279 million.

Ministry of the Environment Spending 1984-85 to 1990-91



As well, the Government recently announced several significant initiatives to improve the quality of life and respond to increasing urban needs in the Greater Toronto Area, including the creation of a major urban park in the Rouge Valley and the planned development of a community of 90,000 at Seaton.

Water and Sewer

The supply of clean, safe water is vital to this province's future. Our current water and sewer capital programs will provide $175 million in grants and $71 million for loans in 1990-91, but projections are for greatly increasing needs for new and rehabilitated facilities. An expanded commitment to water and sewer infrastructure is required.

To meet these needs, funding will be transferred to the new water and sewer crown corporation to be established early in 1991. It will build and operate water and sewage facilities in cooperation with municipalities and the private sector. Funding of new water and sewage development will be assisted by the corporation's ability to borrow with a Provincial guarantee of its debt. This will permit more rapid progress in meeting the need for new, expanded and upgraded facilities, consistent with environmental, health and affordable housing objectives. The corporation will provide clean water and ensure environmentally sound treatment of sewage.

The new corporation will report to the Minister of Municipal Affairs, who is responsible for local government and community planning in Ontario. The Ministry of the Environment will be responsible for setting appropriate

standards and for continued effective environmental scrutiny of our systems.

Waste Abatement

One of the consequences of our increased prosperity has been the ever-growing problem of garbage disposal. The Minister of the Environment has announced the Government's intention to achieve a significant reduction in waste requiring disposal. Funding of $70 million will be provided in support of municipal, institutional and industrial waste management, a 61 per cent increase over last year.

Ontario's approach to waste abatement will require the producers of waste to pay for a greater share of the costs of developing new and safe landfill and incineration facilities. This will provide for a fair distribution of the costs of waste management. It will also improve economic incentives for environmentally sound waste abatement practices.

Niagara Escarpment Plan

Improving the quality of our environment and preserving our natural heritage are important responsibilities of government. The Niagara Escarpment Commission is responsible for ensuring balanced use of its resource endowment while maintaining the escarpment.

Funding and responsibility for the Niagara Escarpment Plan and Commission are being transferred from the Minister of Municipal Affairs to the Minister of the Environment. This recognizes the unique environmental significance of the escarpment area.

Balanced Development for Ontario

Current programs, such as the Northern Ontario Heritage Fund and the Eastern Ontario Community Economic Development Fund, do much to encourage balanced growth across the province. In this Budget, the Government continues its commitment to a more equitable distribution of the benefits of economic growth in all regions of the province.

Decentralizing Government

The $275 million Northern Ontario Relocation Program is providing substantial economic benefits to Northern Ontario through the transfer of 1,600 government jobs and the construction of six new buildings. The relocation to Timmins is complete, with construction well advanced in North Bay, Sudbury and Thunder Bay. A new office complex in Sault Ste. Marie is scheduled for completion in the fall of 1991.

Decentralization to other parts of Ontario is also underway. For example, 450 jobs in the head office of the Ministry of Agriculture and Food will be relocated to Guelph in 1992.

Relocating government offices and jobs throughout the province distributes employment and helps stabilize communities affected by rapidly changing economic conditions. The Government plans, therefore, to continue decentralizing its functions from the Metropolitan Toronto area over the next several years.

The Minister of Government Services will announce details of these initiatives.

Agriculture

Farmers face unique challenges - unpredictable commodity prices, unfair international subsidy practices, uncertain growing conditions and increasingly intensive capital requirements. All these have combined with high interest rates to reduce the outlook for farm incomes in 1990-91. To help meet these challenges, $48 million has been allocated for new interest rate assistance to farmers. The Government expects that the federal Minister of Agriculture will match these funds as part of his recently announced special assistance program.

In recognition of the importance of environmentally sound agricultural practices, $48 million over four years will be provided in financial assistance for soil conservation through the Land Stewardship Program.

The Government is committed to improving the competitiveness of the food processing sector. The Ministry of Agriculture and Food will continue to work with the industry to implement a food processing development strategy.

Further details of these initiatives will be provided by the Minister.

Forestry

Under the Canada-Ontario Forest Resource Development Agreement, the federal and Ontario governments contributed a total of $150 million to forest management over five years, on a 50/50 basis. This agreement expired more than a year ago. Ontario will again supplement its own $15 million share with an additional $18 million, for a total expenditure on forest management of $232 million this year.

Mining

A healthy investment climate for mineral exploration is needed to ensure a competitive and dynamic mining industry. The federal budget's termination of the Canadian Exploration Incentive Program removes support for mineral exploration at a time when base metal reserves are declining, and some communities are experiencing serious difficulty as a result of mine closures or cutbacks.

To help promote mineral exploration in Ontario, an extra $25 million will be allocated over three years to expand the Ontario Prospectors' Assistance Program and the Ontario Mineral Incentive Program. An additional $5 million in special incentives will also be provided over the next three years to encourage exploration in the vicinity of selected northern Ontario communities.

The Minister of Mines will provide further details.

In addition, we are pursuing discussions to renew the Canada-Ontario Mineral Development Agreement, which expired on March 31, 1990.

Improving Social Services

Efficient, high-quality social services and a fair distribution of the benefits of our wealth are fundamental to the well-being of the people of the province. Continued funding is provided in this Budget to support the modernization and enrichment of our social programs. Despite the federal government's decision to reduce its support for cost-shared programs, Ontario will ensure that vital services are not jeopardized.

Long-Term Care Reform

Over the next decade, the number of elderly and persons with disabilities will increase dramatically. Governments must implement plans now to ensure that adequate and efficient services will be available. This will require fundamental reform in the way we provide long-term care in the province and represents one of the most significant improvements in health and social services since the introduction of medicare. To achieve this goal, the Budget includes funding for the comprehensive reform of long-term care.

Long-term care reform will create new, community-based service access agencies. These will allow people to find the help they need in one place and will ensure that appropriate care is provided, either in their homes or, where necessary, in long-term care facilities.

The new system of community-based access and in-home support will have increased funding of up to $410 million by the middle of the 1990s. Included is $11 million in immediate funding to improve visiting homemakers' compensation. In addition, home-support services delivered by community agencies will be greatly expanded. Provincial contributions to these services will be increased by $30 million when fully established. Co-payments will offset some of the costs of non-health-care services such as homemaking and meal preparation. There will be no charges for personal care. Lower-income Ontarians will be exempt from all charges for in-home services.

To improve the quality of care in the institutional sector, a consistent level-of-care funding system will be introduced for Homes for the Aged and Nursing Homes. This means more resources will be available to care for residents with greater needs. Through increased resident and government contributions, more than $200 million in additional funding will be available to Homes for the Aged and Nursing Homes by 1992.

Long-term care reform is a major step forward in this province's health and social service system. Increased funding of $52 million is provided in this Budget to initiate the reform.

The Minister of Community and Social Services will announce details.

Hospital Funding

The Premier's Council on Health Strategy recommended a review of the Province's health capital plan. In January, the Minister of Health announced a four-point priority framework for health capital:

- regional and community-based health services;
- priority programs such as cancer, cardiac and emergency services;
- maintaining standards for safety and workplace health; and
- services needed in high growth areas and to meet the needs of a growing seniors population.

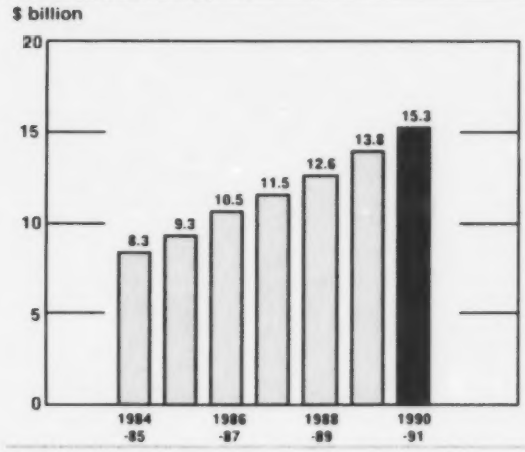
These priorities are intended to complement the Government's long-term care reform.

To facilitate the planning framework, the Government will provide $1.3 billion for health capital over the next four years. For 1990-91, $250 million will be allocated for health capital.

Approximately $300 million of this multi-year funding is designated to increase cancer treatment capacity throughout the province. The Minister of Health will announce further details.

In 1990-91, total Ministry of Health spending will increase by 10.9 per cent to $15.3 billion, or $1.5 billion more than last year. Hospital operating funding will increase by 9.7 per cent to $6.6 billion, including the recent enhancement of $60 million. Other health and social service agencies have also had support for their basic operating costs increased by an additional $39 million.

Ministry of Health Spending 1984-85 to 1990-91

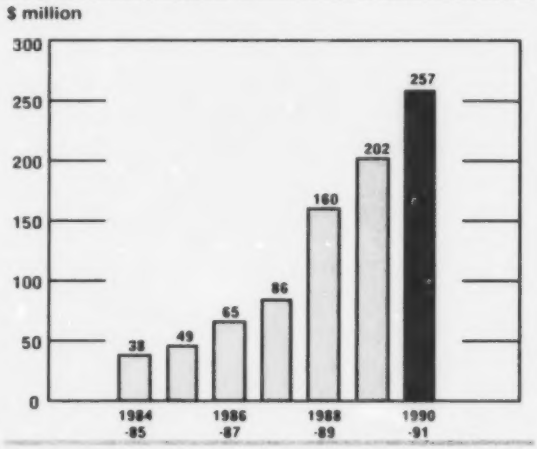


Note: Data adjusted to exclude impact of advance payments.

Child Care

This year, combined federal and provincial contributions for child care will be $396 million, an increase of 16 per cent over 1989-90 spending. Due to Ottawa's limitation on Canada Assistance Plan cost-sharing, federal contributions will remain at last year's level of $139 million. Ontario's share will be $257 million, an increase of 27 per cent over last year. This funding includes $10 million to operate newly licensed spaces in schools and non-profit centres. Provincial commitments are being honoured in the absence of federal contributions, but we are hopeful that new national child care legislation will be forthcoming, to renew Ottawa's role in sharing child care costs across Canada.

Ontario Share of Child Care Spending 1984-85 to 1990-91



Community Agency Compensation

Last year's Budget announced improved compensation for lower-paid workers in agencies. A further $58 million on an annual basis is provided in this Budget to increase compensation in community agencies. The initiative will be targeted to services for persons with developmental handicaps, attendant care and home support, child welfare, child and family intervention services, and halfway houses. This is in addition to the funding already noted for visiting homemakers through long-term care reform. This will help agencies hire and retain qualified, capable staff to provide these needed community services.

Assistance for Low-Income Families

I am announcing today a reduction in Ontario income taxes for lower-income families with children. The Ontario Tax Reduction program will be enriched to provide a $200 supplement in respect of each dependent child age 18 or under.

The enrichment will significantly increase the income level at which Ontario income tax becomes payable. For example, a single working parent supporting two children currently starts to pay Ontario income tax at an income of about $14,100. Following the enrichment, the level at which this parent will begin to pay Ontario income tax will be about $18,700.

An additional $200 supplement to the Ontario Tax Reduction will be provided in respect of dependants with disabilities, regardless of age. This further supplement recognizes that many persons with serious disabilities are cared for at home by family, and in some cases these families have low incomes. Where a child with disabilities is being cared for at home, the supporting parent may claim both supplements, for a total of $400.

The improved Ontario Tax Reduction will provide 250,000 supplements on behalf of children and dependants with disabilities, benefitting 115,000 families.

The cost of this initiative is estimated at $44 million in 1990-91, increasing the total cost of the Ontario Tax Reduction to $88 million. Details of the expanded Ontario Tax Reduction are presented in Budget Paper A.

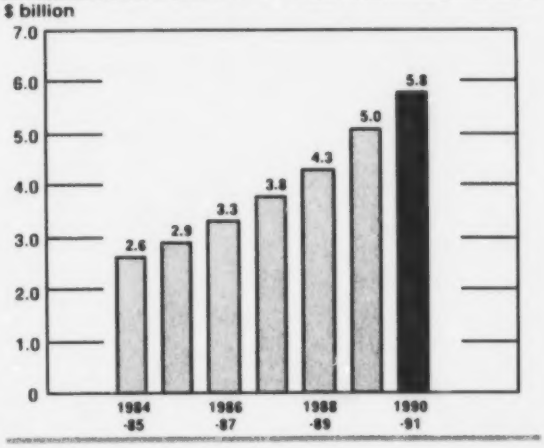
Social Assistance

In last year's Budget, the Government undertook a major reform of social assistance to provide better opportunities and to improve benefits for recipients. This initiative was and continues to be supported by business, labour, religious groups and service providers.

The cost of reform was to be shared with the federal government under the Canada Assistance Plan (CAP). In its recent budget, Ottawa announced it was freezing Ontario's CAP entitlement at five per cent above that of 1989-90. By doing so, the federal government is not participating as a full partner in social assistance reform. Ontario will not follow the federal direction. This Budget continues to provide funding for the reform process.

In the fall of 1989, children's benefits were improved and the Supports to Employment Program was initiated. As of January 1990, social assistance recipients also benefited from increased rates and improved shelter allowances. I am announcing today that basic benefits and shelter allowances will be increased by five per cent effective January 1, 1991. In total, social assistance spending will grow by $406 million, or 16 per cent over last year.

Ministry of Community and Social Services Spending: 1984-85 to 1990-91



Native Social Services

As part of the Government's ongoing commitment to the aboriginal peoples of the province, an additional $14 million will be provided for Native-managed social service initiatives. The federal government provides cost-sharing for these services under the Indian Welfare Agreement. The Ministry of Community and Social Services will provide these funds for increased homemaker and nursing services for Native elderly, new Native Child and Family Service Agencies and additional counselling services for families and their children. This funding will support and strengthen our Native communities.

Property Assessment

Assessment of property value on behalf of municipalities is currently undertaken by the Ministry of Revenue. A main objective of the assessment program is to ensure that a consistent assessment base exists in Ontario. This is being accomplished by a program of first-time reassessments for all Ontario municipalities, as well as the provision of supplementary assessments and other related activities. Rapid growth in many areas of the province has generated significant demands for assessment activity, and municipalities have requested that services be accelerated.

To respond to these requests, the Province will establish the Property Assessment Corporation. The new Corporation will be better able to meet the assessment priorities of municipalities. The Province will transfer its $108 million allocation for assessment activities to this Corporation.

Details will be provided by the Minister of Revenue.

Transfer Payments to Municipalities
($ Million)

	Interim 1989-90	Budget Plan 1990-91	Per Cent Change
Social and Health Operating	1,804	2,046	13.4
Environment	188	220	17.2
Roads	678	752	10.9
Unconditional Grants	872	914	4.8
Other	989	1,110	12.2
Total	4,531	5,042	11.3

Note: Data adjusted to exclude the impact of advance payments.

Federal Goods and Services Tax

The planned implementation of the federal Goods and Services Tax (GST) on January 1, 1991, will result in significant disruptions for business and consumers. Ontario finds the federal GST unacceptable.

No fundamental changes are made to Ontario' Retail Sales Tax in this Budget. To assist Ontario's vendors, particularly smaller businesses which play an important role in collecting our Retail Sales Tax, this Budget increases the rate of compensation for vendor collection from four per cent to five per cent and increases the annual maximum compensation from $1,000 to $1,500. Other minor changes are made to definitions and administrative practices. Budget Paper A includes a list of all such changes.

Ontario's Retail Sales Tax revenue estimates will be reduced by $1 million on a full-year basis as a consequence of the introduction of the GST and the changes in this Budget.

Revenue

This Budget contains a tax increase on tobacco. As of midnight tonight, the tax

per cigarette will be increased by one cent and the tax on cut tobacco will be made consistent with that on cigarettes. Together these changes will raise $158 million in 1990-91.

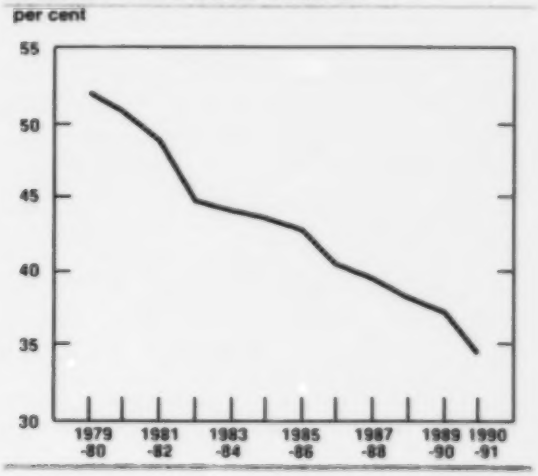
Renewing Federal-Provincial Fiscal Relations

The concerns recently expressed by many provinces about fiscal arrangements with Ottawa are shared by Ontario. A constructive resolution must be found.

Over the past several years the federal government has unilaterally changed the rules for every major federal-provincial fiscal arrangement. We support Ottawa's stated goal of deficit reduction, but we do not believe that Canadian federalism is well served by failing to live up to federal-provincial agreements.

It is therefore our intent to seek opportunities to work with Ottawa, the provinces and the territories towards the renewal of fiscal arrangements, and in the process to contribute to strengthening Canadian federalism.

Federal Share of Health and Post-Secondary Education Spending in Ontario: 1979-80 to 1990-91



Conclusion

The Government is maintaining its proven record of responsible fiscal management and social and economic progress. Ontario's Budget has been balanced while reducing taxes for many families and businesses. Existing programs have been consolidated while we have funded new initiatives necessary to sustain social and economic development. This is a solid basis for our continued shared prosperity in a healthy and safe Ontario.

In the past five years, the Government has modernized our programs and improved their efficiency. We have emphasized our social priorities - education, housing, health and social services - while increasing support for the environment, transportation and public infrastructure. At the same time, we have contributed to economic stability and business confidence by steadily reducing our deficit.

Last year we achieved a balanced budget for the first time in 20 years. I am delighted to announce another balanced budget for this fiscal year and to report that total debt will be reduced by $430 million - the first reduction in Ontario's debt in 43 years.

The leadership of Premier David Peterson in all these initiatives has been strong, confident and effective. As we complete our first five years in office we are proud of our achievements in fulfilling our priorities, meeting our objectives and balancing our budget.

Budget Paper A: Details of Revenue Changes

This Budget Paper provides further information on the taxation changes outlined in the Budget Statement. For precise information, the reader is advised to consult the amending legislation.

Income Tax Act

Ontario Tax Reduction

- The Ontario Tax Reduction program has been restructured and enriched for the 1990 and subsequent taxation years. Under the new Ontario Tax Reduction program, taxpayers will calculate a total personal amount equal to the sum of:
  - a basic amount of $167;
  - a $200 supplement in respect of each dependent child age 18 or under; and
  - an additional $200 supplement in respect of each dependant who has a disability.
- If Ontario income tax is less than or equal to the total personal amount, no Ontario income tax is payable. Otherwise, the Ontario Tax Reduction is calculated as three times the total personal amount less two times Ontario income tax.

All enquiries regarding personal income tax changes should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
4th Floor, Frost Building South
7 Queen's Park Crescent East
Toronto, Ontario
M7A 1Y7
1-416-965-5738

Tobacco Tax Act

Rate Changes

- Effective midnight tonight, tobacco tax rates will be increased:
  - by 1 cent (from 3.83 cents to 4.83 cents) per cigarette; and
  - by 2.63 cents (from 2.2 cents to 4.83 cents) for each gram, or part gram, of cut tobacco.

Inventories

- Wholesalers will be required to declare their cigarette and cut tobacco inventories as of midnight tonight, and to remit tax on such inventories as directed by the Ministry of Revenue.

Marking

- The Minister of Revenue will introduce administrative amendments to the Tobacco Tax Act to ensure the effective functioning of the Tobacco Marking Program.

All enquiries regarding tobacco tax changes should be directed to:

Motor Fuels and Tobacco Tax Branch
Ministry of Revenue
P.O. Box 625
33 King Street West
Oshawa, Ontario
L1H 8H9
English: 1-800-387-1990
French: 1-800-668-5821

Retail Sales Tax Act

The 1990 Ontario Budget indicates that no fundamental changes will be made to the Ontario Retail Sales Tax as a result of the federal government replacing the Manufacturers' Sales Tax with the Goods and Services Tax. Modifications to the Ontario Retail Sales Tax have been proposed to:

- reduce the confusion anticipated with the introduction of the federal Goods and Services Tax; and
- offset a portion of the additional collection costs that will be incurred by Ontario's vendors.

The following table provides details on the modest reduction in Ontario revenue that is expected.

Retail Sales Tax Revenue Modifications **Table 1**
($ Million)

	1990-91	Full Year
Impact of federal reform of the Excise Tax Act (Canada)	3	15
Vendor Compensation	(4)	(22)
Definitional Adjustments	0	(1)
Administrative Adjustments	0	7
Total Retail Sales Tax Revenue Change	**(1)**	**(1)**

The following commentary provides further information on the modifications to the Retail Sales Tax Act.

Compensation to Vendors

The amount of compensation provided to each vendor for the collection and remittance of Retail Sales Tax will be increased from four per cent of tax collected with a maximum of $1,000 per annum to five per cent of tax collected with a maximum of $1,500 per annum. This enrichment is effective for tax collected on or after April 1, 1991, and for returns due in and after May 1991.

Specific entitlements available to vendors will be as follows:

- For tax collections of $20 or less per return, the vendor will be entitled to withhold the full amount of the tax.
- For tax collections exceeding $20, the vendor will be entitled to withhold five per cent of the tax collected or $20 per return, whichever is the greater, provided that total entitlements withheld do not exceed $1,500 for the tax collected in each 12-month period.
- For large vendors with multi-branch organizations, the maximum entitlement will be $1,500 for the tax collected in each 12-month period.

During the transition period for the taxes collected from January 1, 1991, to March 31, 1991, entitlements are as follows:

- The maximum annual limit for compensation will be increased from $1,000 to $1,100, and
- The four per cent rate will be increased to five per cent, provided that the total entitlement withheld does not exceed $1,100.

Production Machinery and Equipment Exemption

- The Retail Sales Tax Act will be modified to incorporate the definition of production machinery and equipment now being applied for Retail Sales Tax purposes.

Transient Accommodation Exemption

- Effective January 1, 1991, the Retail Sales Tax exemption threshold for transient accommodation will be doubled from $10 or less per day ($70 or less per week) to $20 or less per day ($140 or less per week).

Tourist and Other Rebates

- Effective January 1, 1991, the rebate of Ontario Retail Sales Tax on goods removed from Ontario and on transient accommodation will be amended to parallel the thresholds and limits in the Excise Tax Act (Canada).

Administrative Amendments

The following modifications to Ontario Retail Sales Tax administrative procedures will take effect on January 1, 1991.

- The method of computing interest under the Retail Sales Tax Act will be changed from simple interest to compound interest.
- Subject to a "due diligence" test, directors and officers of Ontario vendors will be made "jointly and severally" liable for any amount payable under the Act by vendors.
- Retail Sales Tax vendors will be required to retain their records for seven years instead of five years plus the current year.
- The Retail Sales Tax audit period will be increased from three years to four years. The time frame in which to claim a refund of Retail Sales Tax will be four years.

All enquiries regarding retail sales tax changes should be directed to:

Retail Sales Tax Branch
Ministry of Revenue
P.O. Box 623
33 King Street West
Oshawa, Ontario
L1H 8H7
English: 1-800-387-1990
French: 1-800-668-5821

Corporations Tax Act

Ontario Current Cost Adjustment

- The Current Cost Adjustment is a direct deduction from income otherwise subject to tax in Ontario calculated as a percentage of the tax depreciable cost of new manufacturing and processing machinery and equipment, and pollution control equipment purchased for use in Ontario. The qualifying purchase is eligible for the Current Cost Adjustment in the first taxation year that capital cost allowance is claimable for it.
- The Ontario Current Cost Adjustment rate will be increased to 30 per cent with respect to deductions claimed for taxation years commencing after 1990.

Capital Cost Allowance: Point of Sale Equipment

- For Ontario corporate income tax purposes, an immediate deduction will be provided for purchases of cash registers and other electronic point of sale equipment.

- Effective for purchases made after August 8, 1989 and before 1993.

All enquiries regarding corporate taxes should be directed to:

Corporations Tax Branch
Ministry of Revenue
P.O. Box 622
33 King Street West
Oshawa, Ontario
L1H 8H6
English: 1-800-387-1990
French: 1-800-668-5821

Taxation Changes: 1990 Budget Fiscal Impact Summary **Table 2**
($ Million)

	1990-91	Full Year
Personal Income Tax		
Ontario Tax Reduction	(44)	(38)
Tax on Tobacco Products		
Cigarettes	135	155
Cut tobacco	23	27
Retail Sales Tax	(4)	(16)
Corporations Tax		
Ontario Current Cost Adjustment	0	(140)
Total Fiscal Impact	**110**	**(12)**

Significant Changes to Ontario Tax Expenditures **Table 3**
($ Million)

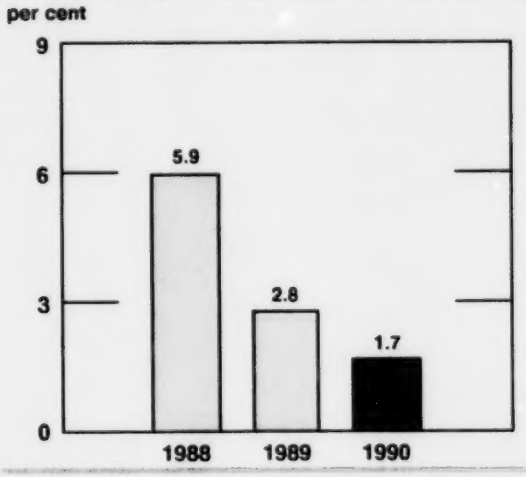
	1990-91	Full Year
Personal Income Tax Act		
Ontario Tax Reduction	44	38
Corporations Tax Act		
Ontario Current Cost Adjustment	0	140
Retail Sales Tax Act		
Vendor Compensation	4	22

Budget Paper B: Economic Outlook

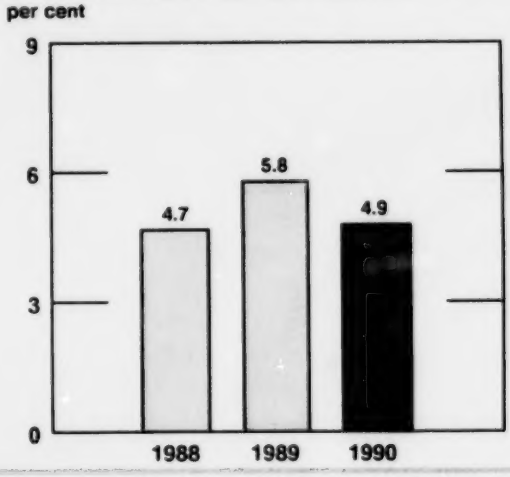
Ontario Outlook: 1990 Highlights

- Ontario's real Gross Domestic Product (GDP) is forecast to increase by 1.7 per cent in 1990. This follows a 2.8 per cent rise in 1989.
- Consumer price inflation in Ontario is expected to moderate to 4.9 per cent in 1990, down from 5.8 per cent in 1989.

Real Growth: 1988 to 1990

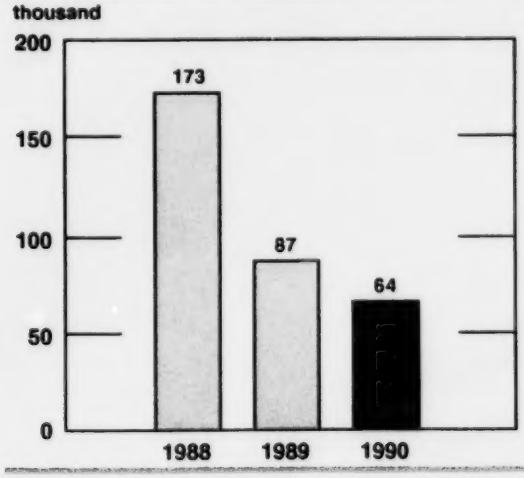


CPI Inflation: 1988 to 1990

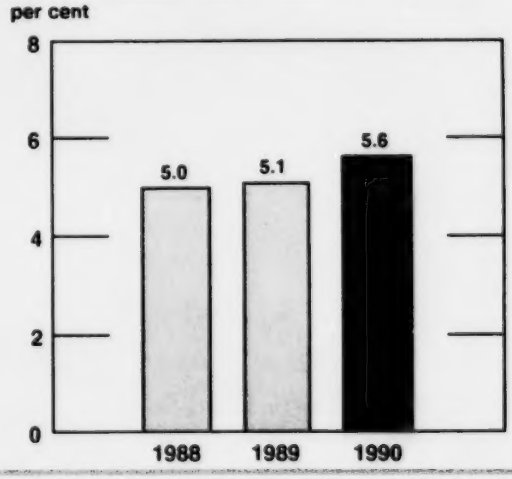


- 64,000 jobs are expected to be created in Ontario in 1990.
- Ontario's unemployment rate is forecast to average 5.6 per cent in 1990.

Job Creation: 1988 to 1990



Unemployment Rate: 1988 to 1990



Key Factors

A number of external factors affect the outlook for Ontario's economy. Anticipated gains in output and employment depend significantly on trends in the United States, the rest of Canada and other industrialized countries. The United States accounts for about 60 per cent of Ontario's exports while the rest of Canada accounts for over 30 per cent. Developments in global financial markets and the price of oil and other commodities also influence Ontario's economic performance. The next sections review the outlook for these factors.

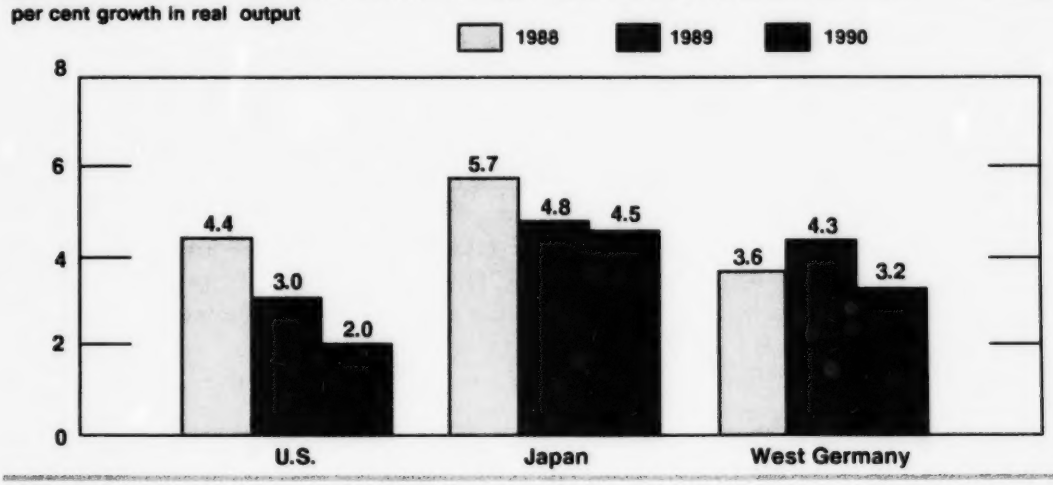
The International Outlook

Following a healthy 3 per cent gain in real output during 1989, the U.S. economy shows signs of moderating, with a 2 per cent rise projected in 1990. While the manufacturing sector remains weak, the fairly strong pace of job creation in the service sector and the moderate level of inventories suggest the U.S. economy will avoid a downturn this year. Consumer spending and net exports will help keep the economy on an expansionary course. Business investment outlays will rise, though more slowly than last year as weaker profits prompt corporations to trim their expansion plans.

After posting a 4.3 per cent rise last year, West Germany's real GDP is expected to grow at a 3.2 per cent rate in 1990, according to the Organization for Economic Cooperation and Development (OECD). The positive outlook for consumer and investment spending, arising from the anticipation of German reunification and high levels of business confidence, will counteract the impact of recent interest rate hikes. In response to the uncertainty surrounding currency union, long-term government bond yields have risen by about two percentage points since late 1989.

Japan's economy is forecast to grow at a 4.5 per cent rate in 1990, after a 4.8 per cent rise last year. With consumer spending and business investment expanding, domestic demand will support growth. The economy's strong underlying momentum will help temper the negative impact of lower asset values resulting from higher interest rates and lower stock market prices.

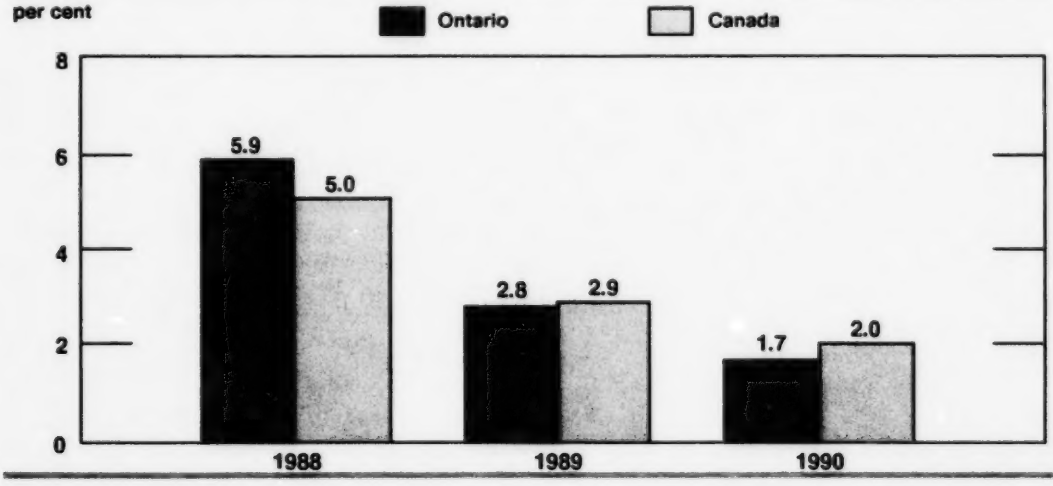
International Economic Outlook: 1988 to 1990



Canadian Outlook

- The Canadian economy grew by 2.9 per cent last year, slightly ahead of Ontario. That pattern will continue in 1990, with Canada expanding by 2 per cent, moderately faster than Ontario.
- Strong interprovincial migration will support the housing and service sectors in B.C. and Alberta and, as a result, their economies will advance at a strong pace. Both Alberta and Saskatchewan will benefit from a revitalized oil and gas industry. Growth in Manitoba and Quebec will roughly parallel that of Ontario. Atlantic Canada's performance will be weaker, reflecting in particular the negative impact of quota reductions in the fisheries sector.

Growth in Real Gross Domestic Product: 1988 to 1990



The Exchange Rate and Financial Markets

The Bank of Canada's attempt to lower interest rates in January of this year was quickly reversed as the Canadian dollar fell abruptly. After reaching a peak of 86.55 cents U.S. in January, the Canadian dollar fell to a low of 82.75 cents U.S. by mid-February.

In order to stabilize the dollar, interest rates were raised a full percentage point between mid-January and mid-February and the spread between Canadian and U.S. 90-day Treasury bills widened to more than 500 basis points.

The Bank of Canada's desire to avoid the inflationary effect of an exchange rate depreciation will prevent any significant reductions in interest rates in the near term. During the second half of 1990, interest rates in Canada are expected to decline modestly as a result of moderation in inflationary pressures and weakness in the domestic economy. The Bank of Canada is expected to support the dollar in the 83 to 87 cents U.S. range through the remainder of 1990.

Energy Prices

Oil prices are expected to weaken slightly in 1990 as demand from industrial countries moderates and supply conditions return to normal. Supply interruptions in Alaska and the North Sea, and firm demand throughout the industrial world, resulted in a 22 per cent rise in oil prices in 1989.

- Prices for West Texas Intermediate (WTI) grade oil ranged between U.S. $18 and U.S. $22 per barrel to average U.S. $20.19 in 1989, compared to U.S. $16.50 during 1988.
- The benchmark WTI oil at Chicago is expected to average about U.S. $19.50 this year.

Ontario's Economic Outlook

Confronted with high interest rates and continued slack in external demand, growth in real output during 1990 is projected to be 1.7 per cent.

- The economy emerged from the 1981-1982 recession with excess capacity and a large pool of unemployed labour, which allowed real output to increase at an average annual rate of 6.1 per cent from 1983 to 1988.
- In 1989, the Ontario economy experienced a significant slowing in external demand. The auto industry in particular faced soft markets, as U.S. motor vehicle sales fell 6 per cent. With other sectors, including construction and services, facing capacity constraints, economic growth moderated to 2.8 per cent.

Consumer Spending

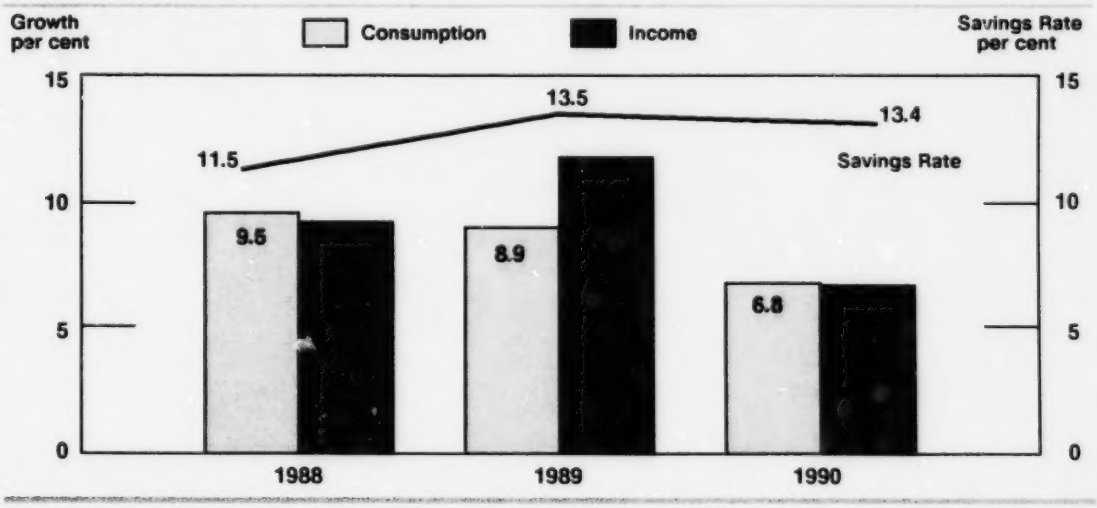
In 1989, the personal savings rate rose due to higher interest rates and deterioration in consumer confidence. Consequently, consumer spending grew less rapidly than after-tax household income.

- The savings rate rose to 13.5 per cent in 1989, after falling steadily from a high of 20.4 per cent at the end of the 1981-82 recession to 11.5 per cent in 1988.
- The savings rate is expected to decline marginally to 13.4 per cent in 1990.

Income growth will slow in 1990 due to lower job creation and a reduction in hours worked. A high savings rate and weakness in the housing market will restrain consumer spending in 1990.

- Slower growth will be concentrated in the first half of the year, as high interest rates dampen spending on housing and durable goods.
- Spending will pick up in the second half of 1990, spurred by slightly lower interest rates and pre-GST spending, particularly on shoes, clothing and other goods which are not currently subject to the manufacturers' sales tax.

Consumption, Personal Disposable Income and the Savings Rate: 1988 to 1990



Housing

Housing starts totalled 93,337 in 1989, the third highest level since the record 110,536 starts in 1973.

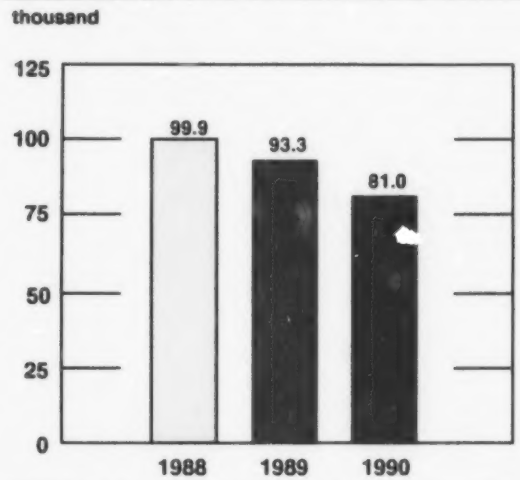
- Spending on new home construction rose modestly in 1989 as the number of housing completions reached a near-record level.

- Renovation activity continued to expand rapidly last year, while the volume of resale activity declined.

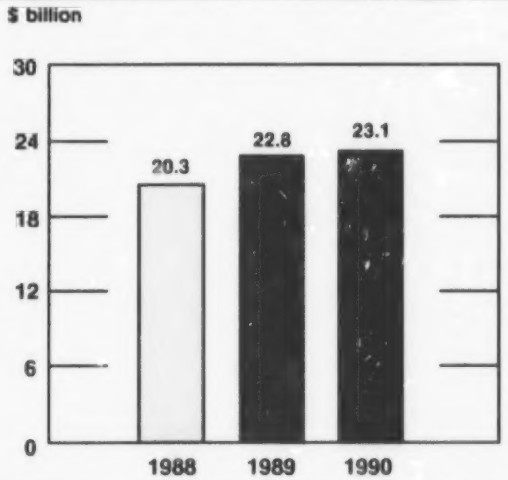
Housing starts are forecast to remain relatively strong in 1990 at the level of 81,000. Total spending on residential investment is expected to be $23.1 billion, up 1.4 per cent from 1989.

- High interest rates and slower growth in employment and income will limit housing demand in 1990.
- Housing completions are expected to continue to outpace demand growth in 1990, easing price pressure in Ontario's housing market.
- Growth in renovation activity will outpace new home construction and resale activity this year.
- The GST is expected to provide a modest stimulus to home purchases and renovation activity in 1990 as consumers advance spending to avoid the new tax.

Housing Starts: 1988 to 1990



Residential Construction Expenditures: 1988 to 1990



Business Investment

Business continued to sustain a high level of investment last year. Spending on plant and equipment rose by 7.7 per cent.

- Non-residential construction increased by 13.5 per cent in 1989. Plant expansion was undertaken to ease pressures on production capacity constraints. Utilization rates in the non-farm goods sector reached a post-recession peak of 90 per cent in 1988.
- Machinery and equipment expenditures rose by 4.2 per cent in 1989.

Investment growth is expected to moderate to 5.5 per cent in 1990. Continued weakness in corporate profits and high interest rates will affect investment spending.

- Pre-tax corporate profits are expected to decline 1.4 per cent in 1990, following a 3.2 per cent decline in 1989. Slower sales growth and a high Canadian dollar account for this weak profit performance.

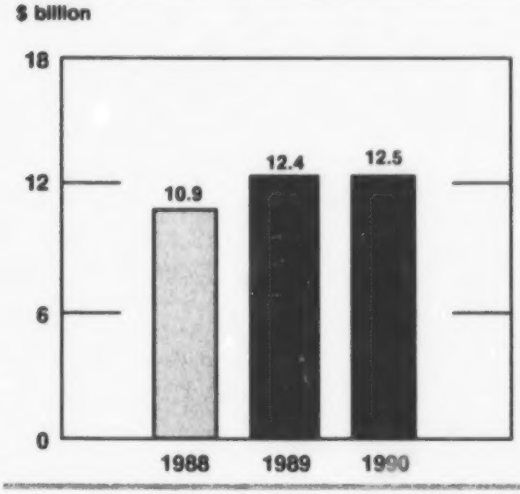
Most of the increase in investment in 1990 will be concentrated in machinery and equipment as businesses continue to modernize facilities in order to meet increasing international competition. Growth in machinery and equipment spending is projected to rise 8.4 per cent.

- Investment is expected to be particularly strong in the wholesale and retail trade sector, the finance sector and utilities.

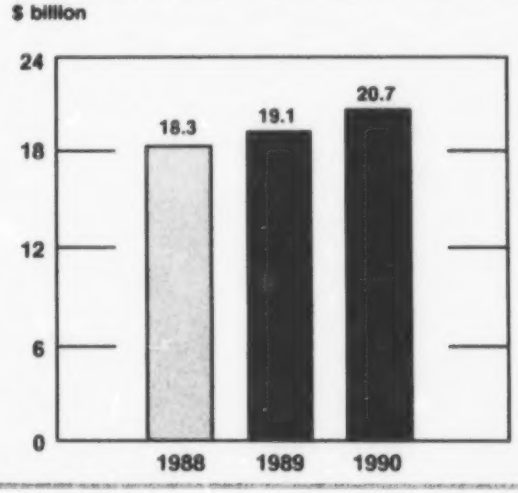
Non-residential construction will be weak, rising by only 1.1 per cent in 1990 due to slackening growth in both domestic and export demand and lower capacity utilization rates.

- Rising commercial vacancy rates and the completion of several large utility projects will contribute to the slowdown.
- The additions to plant capacity in recent years and the weakness in sales have eased pressures, allowing capacity utilization rates to fall last year.

Business Non-Residential Construction: 1988 to 1990



Business Machinery and Equipment Investment: 1988 to 1990



External Trade

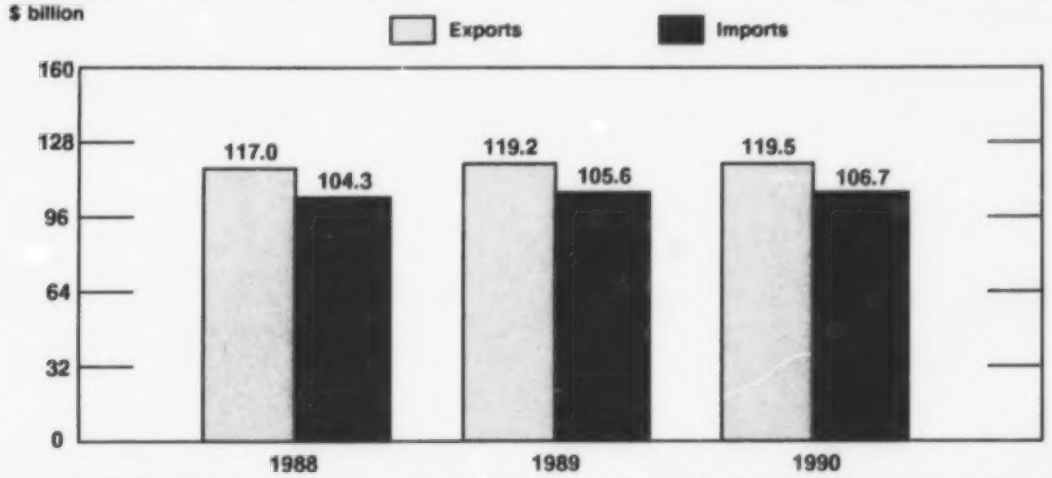
Ontario's trade surplus improved in 1989 as a slowdown in export growth was more than offset by a moderation in import growth. In 1990, the surplus is expected to decline slightly to $12.8 billion from $13.6 billion in 1989.

- Export growth moderated to 1.9 per cent in 1989 from 8.5 per cent in the previous year primarily due to weakness in auto exports. Export growth will slow to 0.3 per cent in 1990 as growth in the U.S. and other OECD countries slackens. The continuing high value of the Canadian dollar relative to its U.S. counterpart will also affect Ontario's exports.
- Last year, import growth moderated as growth in business machinery and equipment investment and spending on durable goods slowed. As cited in the business investment section of this paper, machinery and equipment spending in 1990 is expected to accelerate as firms modernize to meet increased global competition. However, slower growth in consumer spending will restrain total import growth to one per cent.

Ontario's auto trade surplus is expected to improve to $11.4 billion in 1990 from $10.8 billion in 1989 and $9.7 billion in 1988.

- The auto sector trade balance improved in 1989 due to a reduction in imports of vehicles and parts. Ontario captured a larger share of the North American market in 1989, but that market shrank as U.S. motor vehicle sales declined by 6 per cent.
- In 1990, although U.S. motor vehicle sales are projected to decline about 3 per cent, the Canadian share of the U.S. auto market is expected to continue to improve. Consequently, auto exports are expected to increase.

Ontario Trade: 1988 to 1990



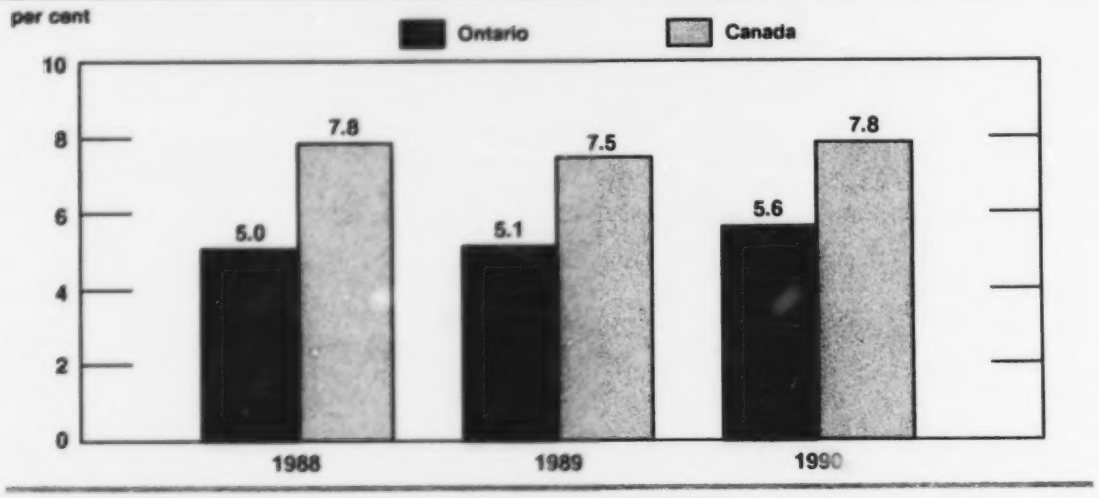
Employment and Prices

Labour Markets

Employment is projected to increase by 64,000 in 1990, compared to the 87,000 new jobs recorded in 1989.

- Slower employment growth reflects the moderation in economic activity expected in 1990.
- The unemployment rate is expected to average 5.6 per cent this year, up from 5.1 per cent in 1989. Unemployment in the rest of Canada is expected to average 9.3 per cent in 1990. Combined with Ontario's projected rate, the 1990 Canadian unemployment rate is expected to be 7.8 per cent.

Unemployment Rates, Ontario and Canada: 1988 to 1990



Inflation

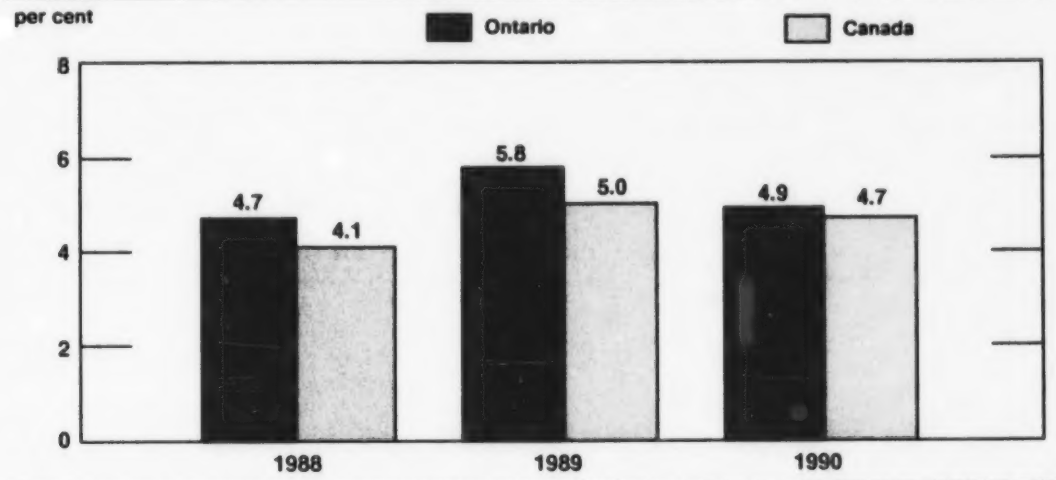
The province's Consumer Price Index (CPI) inflation rate rose to 5.8 per cent in 1989, up from 4.7 per cent in 1988. This increase was primarily a result of increased federal sales taxes, with higher unit labour costs and oil prices also contributing to the change.

In 1990, the Ontario CPI inflation rate is forecast to decline to 4.9 per cent. Moderating house price increases, falling raw material prices and slowing demand in the economy will contribute to the decline in the inflation rate.

The gap between Ontario and Canadian CPI inflation is expected to narrow as inflationary pressures ease in Ontario and accelerate in the rest of the country.

- In February, Alberta and British Columbia had inflation rates equal to or higher than Ontario's. This trend is expected to continue throughout 1990. Both of those provincial economies are experiencing strong in-migration and rapid house price increases. The emergence of inflationary pressures in the West is similar to the Ontario experience during the 1983 to 1988 period.

Consumer Price Index Inflation, Ontario and Canada: 1988 to 1990



The Ontario Economy 1988 to 1990

	1988	1989	1990	88/87	89/88	90/89
	$ billion			per cent		
Total Output						
Gross Domestic Product	248.0	269.6	287.5	10.9	8.7	6.7
GDP (Constant 1981 $)	180.3	185.4	188.4	5.9	2.8	1.7
Business Investment						
Machinery and Equipment	18.3	19.1	20.7	14.8	4.2	8.4
Non-Residential Construction	10.9	12.4	12.5	12.5	13.5	1.1
Housing						
Residential Construction	20.3	22.8	23.1	14.9	12.1	1.4
Housing Starts - Units (000s)	99.9	93.3	81.0	-	-	-
Other Components of Demand						
Retail Sales*	63.6	73.0	75.9	7.7	N.A.	4.0
Exports	117.0	119.2	119.5	8.5	1.9	0.3
Imports	104.3	105.6	106.7	7.0	1.2	1.0
Income						
Personal Income	206.1	227.1	243.5	9.9	10.2	7.2
Corporate Profits (before taxes)	29.7	28.8	28.4	16.7	-3.2	-1.4
Prices						
Consumer Price Index (Canada)	-	-	-	4.1	5.0	4.7
Consumer Price Index (Ontario)	-	-	-	4.7	5.8	4.9
Jobs						
Labour Force (000s)	5,118	5,214	5,309	2.5	1.9	1.8
Employment (000s)	4,862	4,949	5,013	3.7	1.8	1.3
Unemployment Rate (% of labour force)	5.0	5.1	5.6	-	-	-

* A new survey of retail trade was introduced starting January 1, 1990. Comparable data are available for 1989, but not for 1988. As a result of the break in the series, the growth rate is not applicable for 1989.

Source: Ontario Ministry of Treasury and Economics.

Budget Paper C: Fiscal Review and Outlook

Introduction

This paper:

- reviews the 1989-90 fiscal plan;
- includes a summary of the 1989-90 revenue and expenditure performance;
- presents the 1990-91 fiscal outlook;
- explains the current status of borrowing and debt management; and
- outlines comparative fiscal measures.

1989-90 Fiscal Performance

For the first time in 20 years the Province balanced the Budget. This is a $1,514 million improvement over the 1988-89 results. The deficit has been steadily reduced from a high of $3,189 million in 1982-83, to $2,614 million in 1985-86, to $1,479 million in 1988-89. For 1989-90, the interim result is a surplus of $35 million.

Historical Summary 1982-83 to 1989-90 **Table 1**
($ Million)

Fiscal Year	Revenue	Expenditure	Surplus (Deficit)
1982-83	19,367	22,556	(3,189)
1983-84	21,412	24,565	(3,153)
1984-85	23,893	26,452	(2,559)
1985-86	26,240	28,854	(2,614)
1986-87	29,544	32,178	(2,634)
1987-88	32,453	34,942	(2,489)
1988-89	37,256	38,735	(1,479)
1989-90 (Interim)	41,690	41,655	35

The $35 million surplus represents an improvement of $612 million from the $577 million deficit forecast in the 1989 Budget.

1989-90 Budget Update Summary **Table 2**
($ Million)

	Budget Plan	Interim	In-year Change
Revenue	40,713	41,690	+977
Expenditure	41,290	41,655	+365
Surplus (Deficit)	**(577)**	**35**	**+612**

The 1989-90 planned operating surplus of $2,659 million also increased by $658 million to $3,317 million. This surplus fully funded the Province's capital expenditures, amounting to $3,282 million.

1989-90 Operating Surplus **Table 3**
($ Million)

	Budget Plan	Interim	In-year Change
Revenue	40,713	41,690	+977
Current Expenditure	38,054	38,373	+319
Operating Surplus	**2,659**	**3,317**	**+658**

1989-90 Revenue

Revenue performance in 1989-90 reflected the continued strength of the Ontario economy. Interim results for 1989-90 indicate that revenue inflows reached $41,690 million, an increase of $977 million over the Budget forecast. As in 1988-89, most of the increase can be attributed to in-year adjustments to the federal transfer of Personal Income Tax (PIT).

Personal Income Tax revenue was $882 million above the original Budget forecast and reflects larger than anticipated federal adjustments to current and prior year tax entitlements. This is in addition to $945 million in estimated adjustments which had been included in Ontario's original PIT forecast.

The increase in PIT was partially offset by a net $60 million decrease in federal payments under the Established Programs Financing (EPF) arrangement. This decrease is related to the negative impact of PIT increases on the EPF cash transfer and other offsetting increases.

A higher than anticipated level of consumption led to a $124 million increase in Tobacco Tax revenue. Revenue from the Land Transfer Tax increased $69 million

in-year as a result of higher than expected average prices and revenue from measures introduced in the 1989 Budget.

Higher than anticipated profits led to an increase of $47 million in the Mining Profits Tax. Public Utilities Income Tax revenue increased by $17 million as a result of federal government adjustments to payments for the 1987 and 1988 tax years.

Reciprocal Taxation revenue, which represents primarily Ontario sales tax on federal government purchases of goods and services, increased by $18 million.

These taxation revenue increases were partly offset by declines in a number of areas. Despite strong year-over-year growth of 10 per cent, Retail Sales Tax revenue was $125 million below expectations as a result of slightly lower than anticipated consumption. Similarly, Corporations Tax revenue displayed strong growth of 11.8 per cent, but was $107 million below forecast as a result of lower than anticipated final settlement payments.

The decline of $72 million in the estimate of Employer Health Tax (EHT) revenue is largely the result of two factors: the decision to allow small businesses to remit payments on a quarterly basis, beginning in April 1990, and the federal government's decision to defer 1989-90 EHT remittances into 1990-91.

Other taxation revenue shortfalls included $38 million in Gasoline Tax as a result of lower than expected consumption and $10 million in the Commercial Concentration Tax, which reflects revised estimates of the tax base and outstanding assessments.

Non-taxation revenue sources were $276 million above the original Budget plan, including an estimated $40 million from the implementation of a new policy for adjustments to non-taxation revenue sources. The bulk of the increase was attributable to a $208 million increase from Interest on Investments as a result of higher than anticipated liquid reserves and interest rate levels.

OHIP Premiums revenue experienced an increase of $93 million due to a higher than expected accounts base and the collection of accounts in arrears. LCBO Profits increased $32 million as a result of increased sales. Vehicle Registration and Drivers' Licence Fee revenue experienced an increase of $27 million, mainly as a result of higher than expected revenue from measures introduced with the 1989 Budget.

These non-taxation revenue increases were partly offset by declines of $57 million in revenue from Fines and Penalties as a result of a delay in the proclamation of the *Provincial Penalties Adjustment Act*, and $23 million from LLBO Fees and Licences as a result of lower consumption.

Payments from the federal government declined by $109 million, largely as a result of the reduction in Established Programs Financing payments described previously. Payments under the *Young Offenders Act* were $23 million below forecast, due in part to the federal government's decision to limit its contributions to 1988-89 levels. Delays in the signing of a revised Canada/Ontario Crop Insurance Agreement resulted in a decline of $19 million.

Summary of In-Year Changes to Revenue in 1989-90
($ Million)

Table 4

Taxation Revenue:		
Personal Income Tax	882	
Retail Sales Tax	(125)	
Reciprocal Taxation	18	
Corporations Tax	(107)	
Employer Health Tax	(72)	
Mining Profits Tax	47	
Gasoline Tax	(38)	
Tobacco Tax	124	
Land Transfer Tax	69	
Public Utilities Income Tax	17	
Commercial Concentration Tax	(10)	
Other Taxation	5	
Sub-Total		**810**
Other Revenue:		
OHIP Premiums	93	
LCBO Profits	32	
Vehicle/Driver Fees	27	
LLBO Fees and Licences	(23)	
Interest on Investments	208	
Fines and Penalties	(57)	
Other	(4)	
Sub-Total		**276**
Payments from the Federal Government:		
Established Programs Financing	(60)	
Young Offenders Act	(23)	
Crop Insurance	(19)	
Other	(7)	
Sub-Total		**(109)**
Total In-year Changes to Revenue		**977**

1989-90 Expenditure

Interim expenditures for 1989-90 are $41,655 million, or $365 million above the original 1989 Budget Plan. However, if advance payments amounting to $474 million in respect of the 1990-91 fiscal year are excluded, expenditures are $109 million below the original Budget Plan of $41,290 million. In addition, $264 million of in-year expenditure increases were also accommodated through savings and

underspending of $373 million in other program areas. Table 5 summarizes the major in-year expenditure changes. An explanation of these follows.

A change in the Ministry of Health's hold-back payment practice for hospital operations provided hospitals with an advance payment of $334 million of their 1990-91 funding.

The Ministry of Education was provided with $140 million to pre-pay in 1989-90 nine monthly unfunded liability instalments to the Teachers' Pension Plan Fund.

The 1989 Budget also included $410 million in advance payments of 1990-91 capital grants for colleges, universities and school boards.

The Income Maintenance Program in the Ministry of Community and Social Services required $88 million more due to the unexpected increase in caseloads. The primary reason for this increase was that refugees were not leaving the system as quickly as anticipated despite the federal government's attempts to expedite the process of issuing work permits, coupled with a policy change which enabled persons with no fixed address to receive social assistance payments. This additional spending was financed from reallocations from within the Ministry's own programs.

The Ministry of Housing was provided with an additional $27 million in funding mainly for non-profit housing. This related to previous funding commitments and was a result of a larger number of rental units constructed and coming under subsidy sooner than anticipated. The Ministry accommodated this additional funding requirement from within its 1989-90 appropriation.

The Ministry of the Solicitor General received $15 million more to cover the cost of salary revisions for the Ontario Provincial Police. The Ministry of Correctional Services received an additional $10 million for correctional officers' salary settlements, while the Ministry of the Environment also required $3 million more for salary settlements for environmental officers. The Ministry of the Attorney General also received $10 million more for lawyers salaries.

The Ministry of Natural Resources paid an additional $14 million to fight forest fires in northern Ontario.

The Ministry of Transportation required $18 million more for the winter maintenance of provincial highways, while an additional $12 million was provided for the purchase of bi-level GO Transit rail cars. The Ministry was able to fund these increases from within its overall appropriation.

The Ministry of Health reported total net underexpenditures of $97 million. This was composed of $152 million in operating underexpenditures and a $55 million increase in capital expenditures. The operating underexpenditures occurred primarily in OHIP and in Home Care, which experienced lower than anticipated growth. The additional capital expenditures were related to the redevelopment of the Hospital for Sick Children and for expenditures under the Ontario Health Resources Development Plan.

Savings of $29 million were realized by the Ministry of Revenue due to a decline in the number of eligible recipients in the Guaranteed Annual Income System (GAINS) and Seniors' Property Tax Grants programs.

Highlights of Major In-Year Expenditure Changes in 1989-90 **Table 5**
($ Million)

Increases:		
Advance Payment to Hospitals		**334**
Unfunded Liability Instalments for the Teachers' Pension Plan		**140**
Income Maintenance: FBA/GWA Caseloads	88	
Health: Capital	55	
Salary awards in excess of ministry appropriations for OPP, correctional and environmental officers and lawyers	38	
Housing Programs	27	
Winter maintenance of highways	18	
Extra fire fighting	14	
GO Transit rail cars	12	
Employer Health Tax: systems development and administration	12	**264**
Decreases:		
Health: mainly OHIP and Home Care	(152)	
Seniors' Property Tax Grants and GAINS	(29)	
Capital Project Delays	(20)	
Assistance to Industry	(15)	
Lower than expected Pension Contribution	(15)	
Technology Fund: project delays	(13)	
Various other (net)	(129)	**(373)**
Net Change		**365**

The 1989 Budget Plan included a target of $200 million in expenditure savings and constraints to be identified in-year. Of this total, $40 million was secured and reported in the September 30, 1989, Ontario Finances. The balance of $160 million in savings was later identified and incorporated into individual ministry totals.

Each ministry made a contribution to the savings target. Table 6 below provides a list of the amounts contributed by ministries.

1990-91 Outlook

1990-91 Fiscal Plan

The fiscal plan for 1990-91 projects a surplus of $30 million. This is the second surplus Budget in a row, following on the 1989-90 surplus of $35 million.

Expenditure Savings and Constraints Secured in 1989-90 (Target $200 million) **Table 6**
($ Million)

Agriculture and Food	10
Attorney General	5
Citizenship	3
Colleges and Universities	5
Consumer and Commercial Relations	1
Culture and Communications	1
Education	12
Energy	5
Environment	7
Financial Institutions	4
Government Services	52
Health	8
Housing	7
Industry, Trade and Technology	24
Labour	7
Management Board	1
Municipal Affairs	2
Natural Resources	5
Northern Development and Mines	8
Revenue	4
Skills Development	6
Tourism and Recreation	4
Treasury and Economics	12
Public Debt Interest	7
Total	**200**

1990-91 Fiscal Plan **Table 7**
($ Million)

	Interim 1989-90	Budget Plan 1990-91	Per Cent Change
Revenue	41,690	44,536	6.8
Expenditure	41,655	44,506	6.8
Surplus	35	30	

Ontario's planned operating surplus will decrease slightly, by $163 million to $3,154 million in 1990-91.

1990-91 Operating Position **Table 8**
($ Million)

	Interim 1989-90	Budget Plan 1990-91
Revenue	41,690	44,536
Current Expenditure	38,373	41,382
Operating Surplus	3,317	3,154

1990-91 Revenue

Revenue for 1990-91 is forecast at $44,536 million, an increase of 6.8 per cent or $2,846 million above the interim 1989-90 level.

The existing revenue system will contribute an additional $2,736 million, based on continued strength in the economy. Budget revenue measures are expected to yield a further $110 million.

Personal Income Tax payments are estimated to reach $14,510 million in 1990-91, including the $44 million cost of the Ontario Tax Reduction enrichment. The total includes $708 million for anticipated adjustments in respect of current and prior tax years.

Retail Sales Tax revenue is estimated to grow by 4.8 per cent to $8,960 million, reflecting more moderate growth in the economy and in consumer spending.

Corporations Tax revenue is forecast to grow by $122 million, to a level of $4,842 million, based mainly on a lower corporate profit outlook and the elimination of Premiums Tax for personal-use autos under the Ontario Motorist Protection Plan.

Tobacco Tax revenue is estimated at $866 million, including revenue measures.

The Employer Health Tax introduced in the 1989 Budget is expected to yield $2,614 million in 1990-91, its first full year of operation. This level includes $35 million in deferred payments for January to March 1990 from the federal government.

Revenue from non-taxation sources is estimated at $4,257 million. The lower level of non-taxation revenues reflects the elimination of OHIP Premiums.

Payments from the federal government are expected to grow by 0.2 per cent to $5,373 million. The small increase largely reflects federal budget actions to limit transfers to provinces for Established Programs Financing, Canada Assistance Plan payments and other federal agreements.

Details of 1990-91 revenues are found in Table C2.

1990-91 Expenditure

Provincial expenditure in 1990-91 is estimated at $44,506 million, an increase of 6.8 per cent over the interim 1989-90 level.

Major funding increases are planned for the ministries of Community and Social Services, Health, and Transportation. Expenditure growth in these ministries will be almost $2.5 billion in 1990-91 over the interim 1989-90 level. The large increases in funding for the ministries of Community and Social Services and Transportation are in part associated with major new initiatives announced in last year's Budget, such as social assistance reform and the introduction of the Transportation Capital Program. A further factor increasing the budgets of the ministries of Health and Community and Social Services is the introduction of long-term care reform. Significant increases in the Ministry of Health will provide improved ongoing funding for hospitals, OHIP, the Ontario Drug Benefit Plan and community-based health services.

The 1990-91 allocation for the Ministry of Agriculture and Food will increase by 8.5 per cent, largely due to the introduction of a new program to provide financial assistance to farmers.

Public Debt Interest will increase by only $27 million to $4,310 million. The low rate of increase is a result of two balanced Budgets and continuing repayments of maturing debt.

For 1990-91, the target for expenditure savings and constraints has been set at $300 million. This amount is reflected in the overall expenditure plan.

Housing Development Fund

Table 9 below reports on the status of the Housing Development Fund, comparing capital expenditures on housing-related activities with revenues from land sales. The interim results for 1989-90 and a forecast for 1990-91 are included.

Housing Development Fund **Table 9**
($ Million)

	Interim 1989-90	Estimated 1990-91
Balance at Beginning of Year	18	13
Land Sale Proceeds	35	35
Less: Expenditures on Approved Projects	40	48
Balance at End of Year	13	0

Borrowing and Debt Management

In 1989-90, the Province's net financing amounted to $233 million, composed of $1,882 million of new debt issues to the teachers' and public service pension plans,

$357 million in borrowing from the Province of Ontario Savings Office (POSO) and other deposits, offset by $2,006 million for debt retirements.

In 1990-91, the Province expects to accept deposits from POSO and other accounts in the amount of $258 million. New pension legislation enacted in December 1989 established two pension funds, the Teachers' Pension Fund and the Public Service Pension Fund, merging the former Teachers' Superannuation Fund and the Public Service Superannuation Fund with their respective Superannuation Adjustment Funds. The new funds will invest their net cash flow in capital markets. As a result of these pension reforms, the Province will no longer borrow from the teachers' and public service pension plans. Liquid reserves are expected to decrease by $420 million, since they will be used mainly to repay Ontario's maturing debt of $688 million.

The Province will not require any borrowing from the Canada Pension Plan (CPP) for its own purposes in 1990-91. The estimated $900 million in CPP funds to be offered to Ontario will be made available for the Homes Now program and education capital financing. Any remaining CPP funds will be offered to Ontario Hydro. In 1989-90, the Ontario Housing Corporation borrowed $436 million directly from the CPP and the Province borrowed $651 million of CPP funds for Ontario Hydro.

As a result of increased debt retirements and the continued reduction in financing in recent years, the growth of the Province's own purpose debt has fallen sharply. Total debt grew by only 0.6 per cent in 1989-90, far below the growth rate of Ontario's Gross Domestic Product of 8.7 per cent. The debt is projected to fall by 1.1 per cent in 1990-91. In addition, interest costs will continue to be a declining portion of revenue in 1990-91. Public debt interest as a percentage of revenue is projected to decline to 9.7 per cent in 1990-91, down from 10.3 per cent in 1989-90 and well below the peak of 12.4 per cent recorded in 1985-86.

Ontario Hydro's borrowing requirements in 1990 will be $4.5 billion, including $2.2 billion to refinance maturing debt. Hydro's 1990 borrowing plan has been reviewed by the Government and will be monitored on a regular basis.

In view of Ontario Hydro's growing borrowing requirements and the possibility of the Province's public market borrowing in the future, the Province and Ontario Hydro are developing a global financing strategy to take advantage of financing opportunities in both Canadian and international capital markets.

Comparative Fiscal Measures

Ontario's fiscal performance can be assessed in terms of a number of commonly used indicators. A ten-year review of selected indicators is found in Table C7.

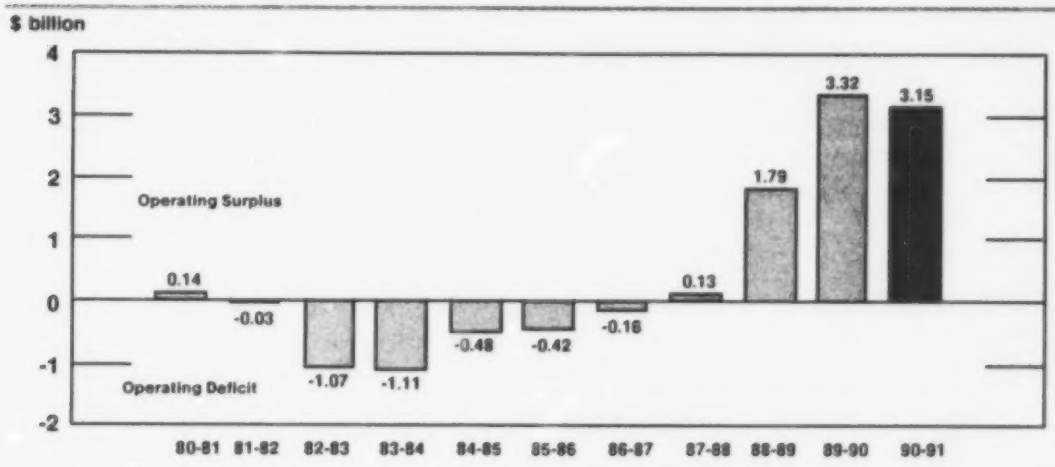
Ontario's Operating Position

The operating position is the difference between revenues and current expenditures.

Ontario is projecting an operating surplus of $3,154 million in 1990-91, a decrease of $163 million from the 1989-90 interim level of $3,317 million. This surplus will

enable the Province to finance 100 per cent of its 1990-91 capital program from its current revenues.

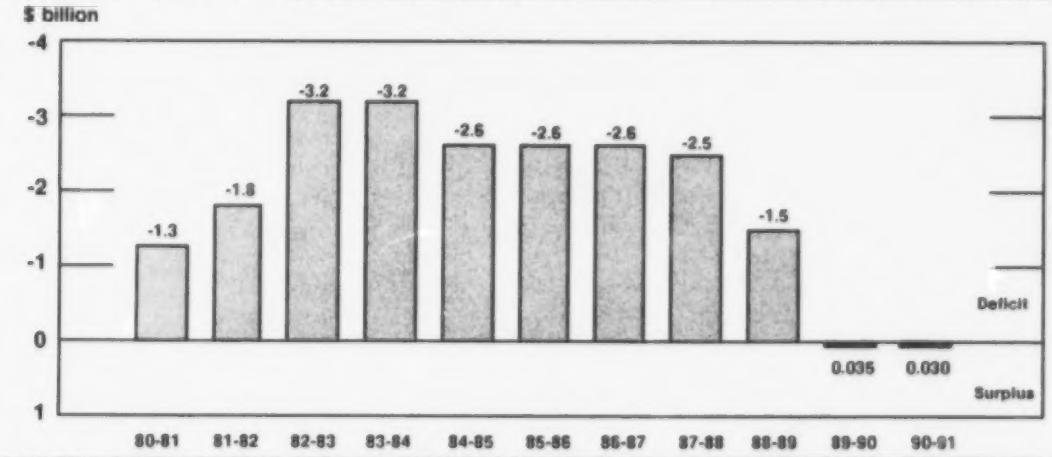
Ontario's Operating Position: 1980-81 to 1990-91



Ontario's Surplus/Deficit

The Province reported a deficit of $3,189 million in 1982-83, and is now in a surplus position. A surplus of $30 million is forecast for 1990-91.

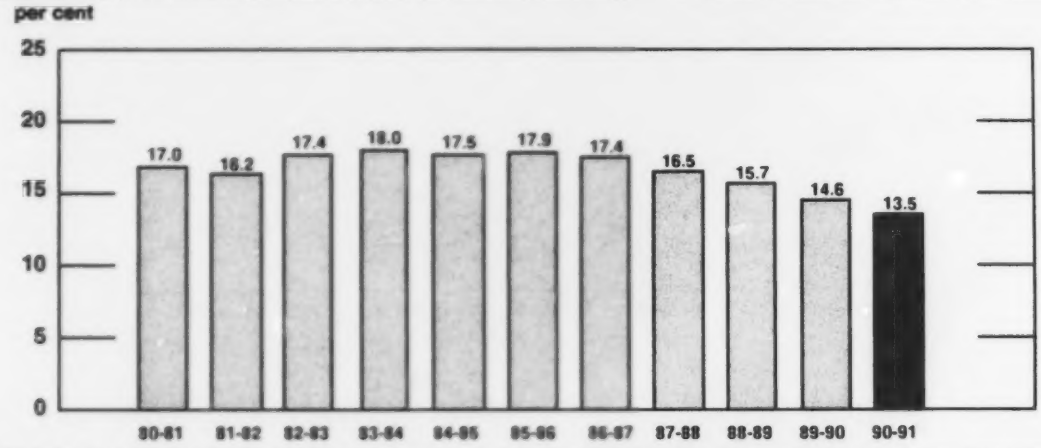
Ontario's Surplus/Deficit: 1980-81 to 1990-91



Debt Measures

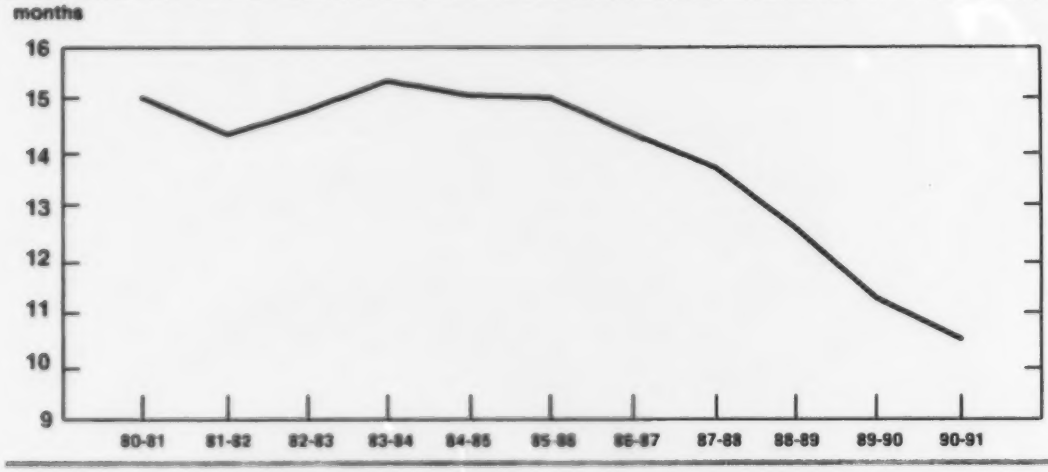
Ontario's total debt is expected to fall to $38.8 billion by the end of 1990-91. Measured as a share of the economy, the debt burden has decreased over the past several years. From a peak of 18 per cent of Provincial Gross Domestic Product in 1983-84, total debt declined to 14.6 per cent in 1989-90. In 1990-91, total debt as a share of the economy is expected to decline further to 13.5 per cent, the lowest ratio recorded since 1970-71.

Total Debt as a Share of the Economy: 1980-81 to 1990-91



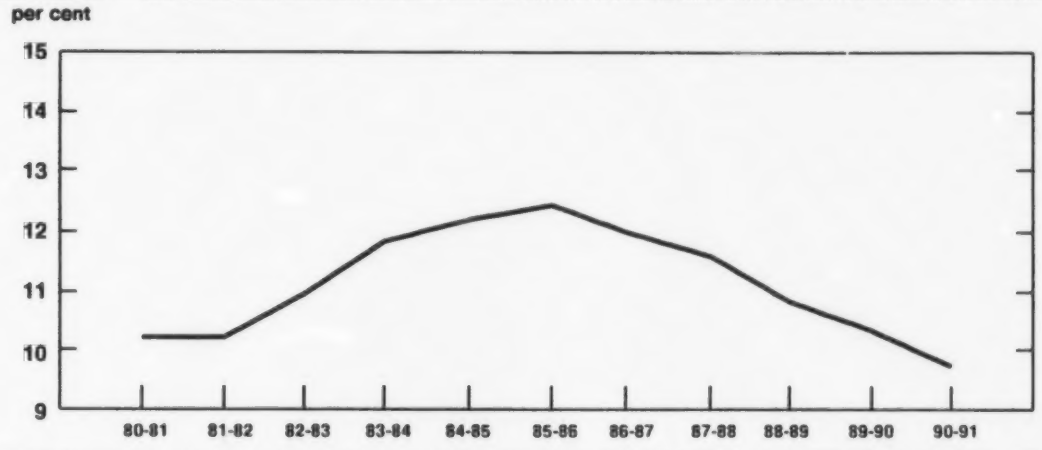
Another measure of Ontario's ability to carry its debt is the number of months of revenue that would be required to repay the total debt. This number has fallen steadily in the past seven years, from 15.4 months in 1983-84 to 11.3 months in 1989-90. In 1990-91, it is expected to fall further to 10.5 months.

Months of Revenue to Repay Total Debt: 1980-81 to 1990-91



Ontario's public debt interest costs are forecast at $4,310 million in 1990-91, an increase of $27 million or 0.6 per cent over the 1989-90 level. Ontario's debt charges expressed as a per cent of revenue continue to decline and are estimated to fall to 9.7 per cent in 1990-91.

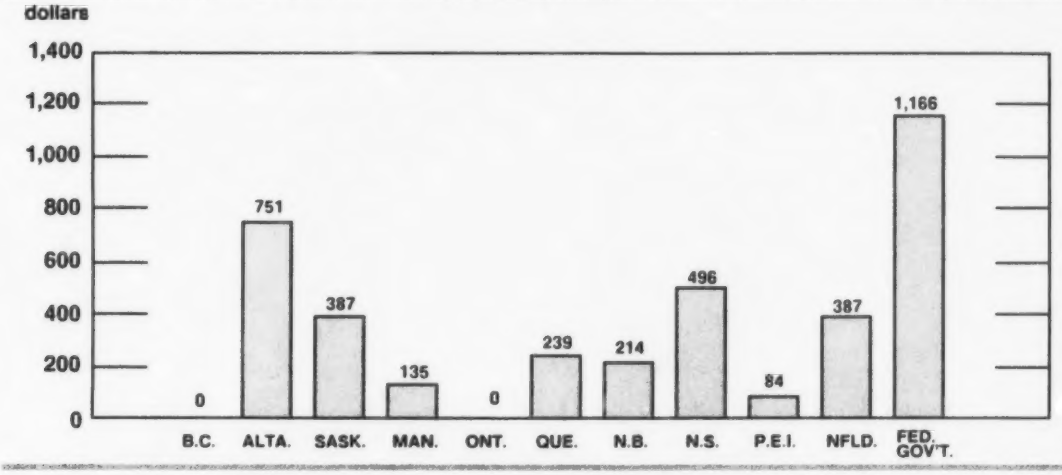
Public Debt Interest as a Per Cent of Revenue: 1980-81 to 1990-91



Interprovincial Comparisons

On an interprovincial basis, Ontario's current measures of fiscal performance compare favourably. For instance, Ontario and British Columbia were the only provinces in a surplus fiscal position in 1989-90.

Deficits Per Capita: 1989-90



Statement of Financial Transactions

Table C1

($ Million)

	1988-89	Interim 1989-90	Budget Plan 1990-91
Revenue	37,256	41,690	**44,536**
Expenditure	38,735	41,655	**44,506**
Surplus (Deficit)	(1,479)	35	**30**
Financing[1]			
Debt: Issues	2,512	1,882	-
Retirements	(920)	(2,006)	**(688)**
Net Debt Issues (Retirements)	**1,592**	**(124)**	**(688)**
Province of Ontario Savings Office and Other Deposits	441	357	**258**
Net Financing (Retirements) (Table C4)	**2,033**	**233**	**(430)**
Loans and Investments - Net Repayments (Issues) (Table C5)	96	3	**(20)**
	2,129	236	**(450)**
Decrease (Increase) in Cash and Temporary Investments	(650)	(271)	**420**
Increase (Decrease) in Accumulated Deficit	**1,479**	**(35)**	**(30)**

See page 54 for accompanying notes.

Revenue
($ Million)

Table C2

	1988-89	Interim 1989-90	Budget Plan 1990-91
Taxation Revenue			
Personal Income Tax[2]	11,687	13,518	14,510
Retail Sales Tax	7,775	8,554	8,960
Reciprocal Taxation	109	133	100
Corporations Tax	4,223	4,720	4,842
Employer Health Tax[3]	-	477	2,614
Mining Profits Tax	135	197	130
Gasoline Tax	1,230	1,356	1,520
Fuel Tax	309	349	372
Tobacco Tax	750	770	866
Land Transfer Tax	639	701	700
Race Tracks Tax	79	83	87
Public Utilities Income Tax	54	102	75
Commercial Concentration Tax	-	52	123
Other Taxation	7	8	7
	26,997	31,020	34,906
Other Revenue			
OHIP Premiums[3]	1,745	1,394	7
LCBO Profits	645	640	625
Vehicle/Driver Fees	509	614	687
LLBO Fees, Licences and Permits	399	427	442
Other Fees and Licences	279	391	498
Lottery Profits	485	491	493
Interest on Investments	265	473	596
Royalties	187	191	205
Utility Service Charges	137	128	133
Sales and Rentals	131	122	141
Fines and Penalties	113	130	200
Recoveries	43	59	40
Reimbursements	160	138	113
Miscellaneous	48	112	77
	5,146	5,310	4,257
Payments from the Federal Government			
Established Programs Financing	2,674	2,616	2,225
Extended Health Care Services	463	491	498
Canada Assistance Plan[4]	1,511	1,762	2,040
National Training Act	114	109	116
Bilingualism Development	48	57	67
Young Offenders Act	56	55	78
Vocational Rehabilitation	30	48	48
Other	217	222	301
	5,113	5,360	5,373
Total	**37,256**	**41,690**	**44,536**

See page 54 for accompanying notes.

Table C.3

Expenditure[5]
($ Million)

Ministry	1988-89	Interim 1989-90	Budget Plan 1990-91
Agriculture and Food	458	478	534
Attorney General	408	488	535
Office Responsible for Native Affairs	4	5	6
Citizenship	38	42	48
Colleges and Universities	2,458	2,635	2,861
Community and Social Services	4,230	4,961	5,761
Office of Francophone Affairs	3	4	4
Consumer and Commercial Relations	138	157	163
Correctional Services	410	468	519
Culture and Communications	227	270	275
Education	4,741	5,019	5,456
Energy	26	30	34
Environment	277	322	370
Executive Offices[6]	8	8	9
Financial Institutions	35	42	59
Government Services	444	467	452
Health	12,456	13,562	15,063
Housing	310	416	547
Industry, Trade and Technology	147	146	175
Technology Fund	62	72	85
Intergovernmental Affairs	8	9	10
Labour	123	139	154
Management Board	51	52	61
Contingency Fund	–	–	153
Capital Account	2,858	3,282	3,634
Municipal Affairs	952	961	1,006
Natural Resources	522	530	528
Northern Development and Mines	91	104	109
Office for Disabled Persons	5	6	6
Office Responsible for Senior Citizens' Affairs	5	7	6
Office Responsible for Women's Issues	16	18	19
Revenue	799	832	879
Skills Development	211	238	248
Solicitor General	410	474	519
Tourism and Recreation	136	144	147
Transportation	656	749	763
Treasury and Economics	29	31	32
Economic Development Projects	29	40	37
Public Debt Interest	4,032	4,283	4,310
Board of Internal Economy[7]	99	103	113
Advance Payments:			
Capital Account	410	–	(410)
Education	–	140	(140)
Health	–	334	(334)
Municipal Affairs	413	(413)	–
Expenditure Savings and Constraints	–	–	(300)
Total	**38,735**	**41,655**	**44,506**

See page 54 for accompanying notes.

Expenditure[5] - Capital Distributed Table C3A
($ Million)

Ministry	1988-89	Interim 1989-90	1990-91 Total	1990-91 Operating	1990-91 Capital
Agriculture and Food	511	515	558	534	24
Attorney General	415	493	539	535	4
Office Responsible for Native Affairs	4	6	6	6	-
Citizenship	46	48	56	48	8
Colleges and Universities	2,562	2,745	2,971	2,861	110
Community and Social Services	4,311	5,046	5,846	5,761	85
Office of Francophone Affairs	3	4	4	4	-
Consumer and Commercial Relations	146	157	163	163	-
Correctional Services	410	470	521	519	2
Culture and Communications	255	314	317	275	42
Education	4,978	5,329	5,788	5,456	332
Energy	38	38	51	34	17
Environment	417	497	578	370	208
Executive Offices[6]	8	8	9	9	-
Financial Institutions	37	42	59	59	-
Government Services	612	669	684	452	232
Health	12,568	13,807	15,313	15,063	250
Housing	421	530	666	547	119
Industry, Trade and Technology	160	148	188	175	13
Technology Fund	62	72	85	85	-
Intergovernmental Affairs	8	9	10	10	-
Labour	124	139	154	154	-
Management Board	52	52	61	61	-
Contingency Fund	-	-	153	153	-
Municipal Affairs	971	980	1,028	1,006	22
Natural Resources	577	588	606	528	78
Northern Development and Mines	290	318	345	109	236
Office for Disabled Persons	7	9	8	6	2
Office Responsible for Senior Citizens' Affairs	6	9	8	6	2
Office Responsible for Women's Issues	16	18	19	19	-
Revenue	799	832	879	879	-
Skills Development	212	239	248	248	-
Solicitor General	448	496	556	519	37
Tourism and Recreation	177	187	200	147	53
Transportation	2,060	2,312	2,498	763	1,735
Treasury and Economics	29	31	32	32	-
Economic Development Projects	41	51	60	37	23
Public Debt Interest	4,032	4,283	4,310	4,310	-
Board of Internal Economy[7]	99	103	113	113	-
Advance Payments:					
Colleges and Universities	110		(110)	-	(110)
Education	300	140	(440)	(140)	(300)
Health	-	334	(334)	(334)	-
Municipal Affairs	413	(413)	-	-	-
Expenditure Savings and Constraints	-	-	(300)	(200)	(100)
Total	**38,735**	**41,655**	**44,506**	**41,382**	**3,124**

See page 54 for accompanying notes.

Financing
($ Million)

Table C4

	1988-89	Interim 1989-90	Budget Plan 1990-91
Debt			
Issues:			
Teachers' Pensions	1,809	1,290	-
Public Service Pensions	703	592	-
	2,512	1,882	-
Retirements:			
Canada Pension Plan	(412)	(446)	**(476)**
Teachers' Pensions	-	(189)	**(173)**
Public Service Pensions	-	(712)	**(30)**
Public	(500)	(650)	-
Other	(8)	(9)	**(9)**
	(920)	(2,006)	**(688)**
Net Debt Issues (Retirements)	**1,592**	**(124)**	**(688)**
Province of Ontario Savings Office - Net Deposits	377	320	**233**
Other Deposits - Net	64	37	**25**
Net Financing (Retirements)	**2,033**	**233**	**(430)**

See page 54 for accompanying notes.

Loans and Investments
($ Million)

Table C5

	1988-89	Interim 1989-90	Budget Plan 1990-91
Repayments			
Development Corporations	66	35	42
School Boards	40	34	27
Environmental Projects	26	21	20
Tile Drainage Debentures	23	23	21
Other	47	36	31
	202	**149**	**141**
Issues			
Development Loans	67	70	72
Environmental Projects	24	36	71
Tile Drainage Debentures	12	14	14
Other	3	26	4
	106	**146**	**161**
Net Repayments (Issues)	**96**	**3**	**(20)**

Transfers to Local Governments and Agencies

Table C6

($ Million)

	1988-89	Interim 1989-90	Budget Plan 1990-91
Conditional Transfers			
Grants to School Boards			
General Legislative Grants	3,914	4,161	4,524
School Capital Grants	238	310	332
Transportation			
Roads	679	678	752
Transit	336	383	421
Other[8]	13	13	12
Social Assistance			
General Welfare Assistance	657	797	878
Homes for the Aged	278	298	320
Child Welfare	226	269	308
Day Nurseries	168	177	228
Other	49	65	89
Environment	151	188	220
Health			
Local Health Units	149	160	184
Other	45	56	59
Agriculture	168	152	159
Housing	81	118	156
Conservation Authorities	47	51	56
Library Boards	39	41	41
Recreation	32	36	44
Municipal Affairs	22	23	26
Other	38	43	56
	7,330	**8,019**	**8,865**
Unconditional Transfers			
Payments-in-lieu of Taxes	103	111	119
Unconditional Grants	862	862	903
Unconditional Grants Other	7	10	11
	972	**983**	**1,033**
Total Transfers Allocated	8,302	9,002	9,898
Advance Payments:[9]			
Unconditional Grants	413	(413)	-
School Capital Grants	300	-	(300)
TOTAL TRANSFERS	**9,015**	**8,589**	**9,598**

See page 54 for accompanying notes.

Ten-Year Review of Selected Financial and Economic Statistics
($ Million)

	1981-82	1982-83	1983-84	1984-85
Financial Transactions				
Revenue	17,914	19,367	21,412	23,893
Expenditure	19,694	22,556	24,565	26,452
Surplus (Deficit)	(1,780)	(3,189)	(3,153)	(2,559)
Accumulated Deficit	13,733	16,922	20,075	22,634
Net Financing (Retirements)	1,842	2,601	3,451	2,635
Total Debt - includes POSO and other Deposits (Excludes Ontario Hydro)	21,354	23,955	27,406	30,041
Gross Domestic Product (GDP) at Market Prices [12]	131,831	137,310	151,945	171,499
Personal Income [12]	110,033	122,443	131,947	146,193
Population - June ('000)	8,625	8,703	8,798	8,902
Total Debt per Capita (dollars)	2,476	2,752	3,115	3,375
Personal Income per Capita (dollars)	12,757	14,069	14,997	16,422
Expenditure as a per cent of GDP	14.9	16.4	16.2	15.4
Public Debt Interest as a per cent of Revenue	10.2	10.9	11.8	12.2
Total Debt as a per cent of GDP	16.2	17.4	18.0	17.5
Cumulative Net Borrowing for Ontario Hydro				
U.S.	5,573	6,058	6,487	7,206
C.P.P.	1,000	1,000	1,000	1,000
Contingent Liabilities (mainly Ontario Hydro)	9,284	11,122	12,711	14,220

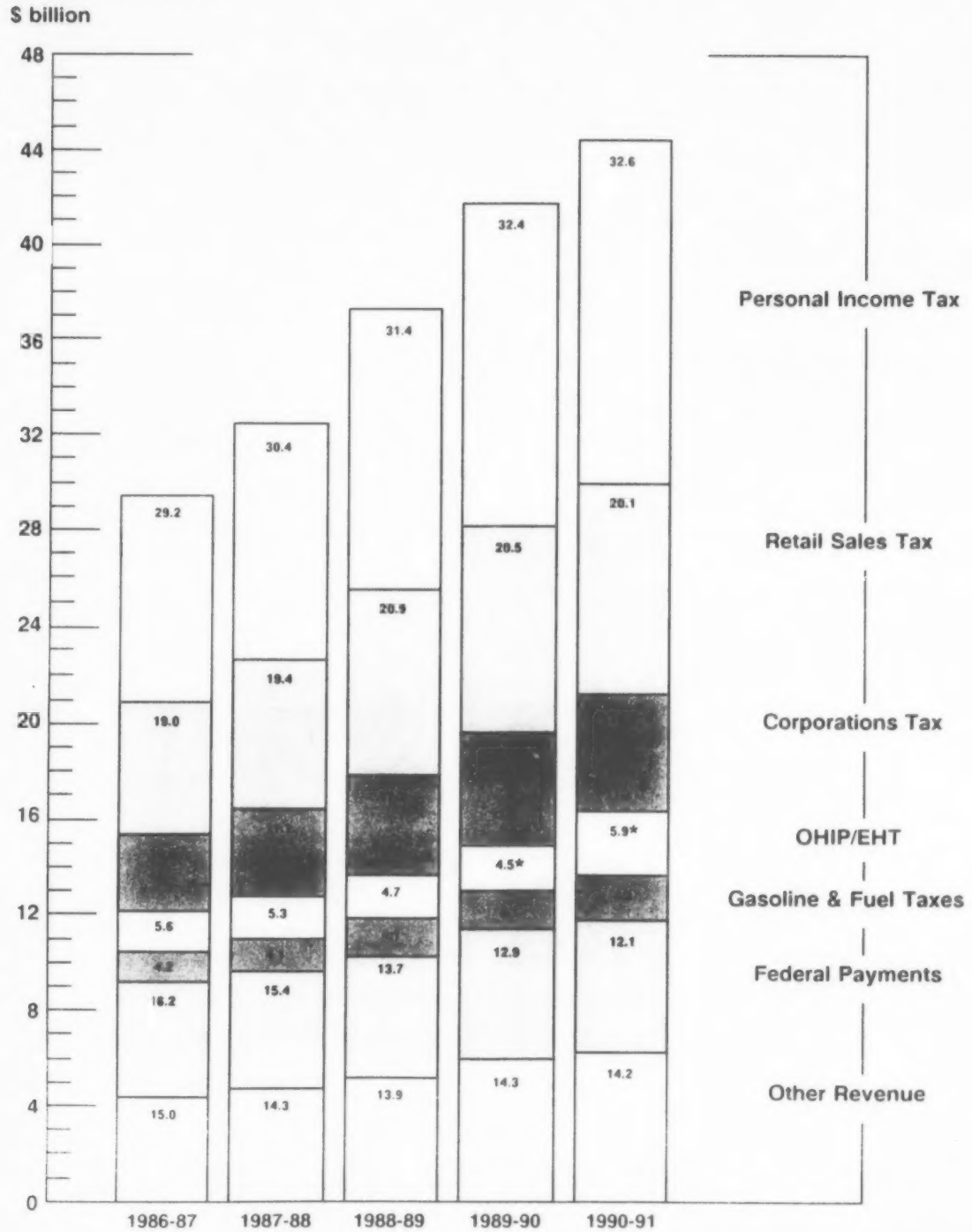
See page 54 for accompanying notes.

Table C7

1985-86[10]	1986-87[11]	1987-88	1988-89	Interim 1989-90	Budget Plan 1990-91
26,240	29,544	32,453	37,256	41,690	**44,536**
28,854	32,178	34,942	38,735	41,655	**44,506**
(2,614)	(2,634)	(2,489)	(1,479)	35	**30**
28,919	31,531	34,020	35,499	35,464	**35,434**
2,863	2,199	1,878	2,033	233	**(430)**
32,904	35,103	36,981	39,014	39,247	**38,817**
183,561	201,228	223,694	247,969	269,552	**287,508**
156,293	168,661	187,544	206,058	227,110	**243,500**
9,006	9,113	9,265	9,431	9,579	**9,749**
3,654	3,852	3,991	4,137	4,097	**3,981**
17,354	18,508	20,242	21,849	23,709	**24,977**
15.7	16.0	15.6	15.6	15.5	**15.5**
12.4	12.0	11.6	10.8	10.3	**9.7**
17.9	17.4	16.5	15.7	14.6	**13.5**
7,189	6,667	6,033	5,692	5,150	**N/A**
1,000	1,119	1,508	2,097	2,748	**N/A**
15,963	17,603	18,595	20,559	21,463	**N/A**

Revenue Sources: Per Cent of Total 1986-87 to 1990-91

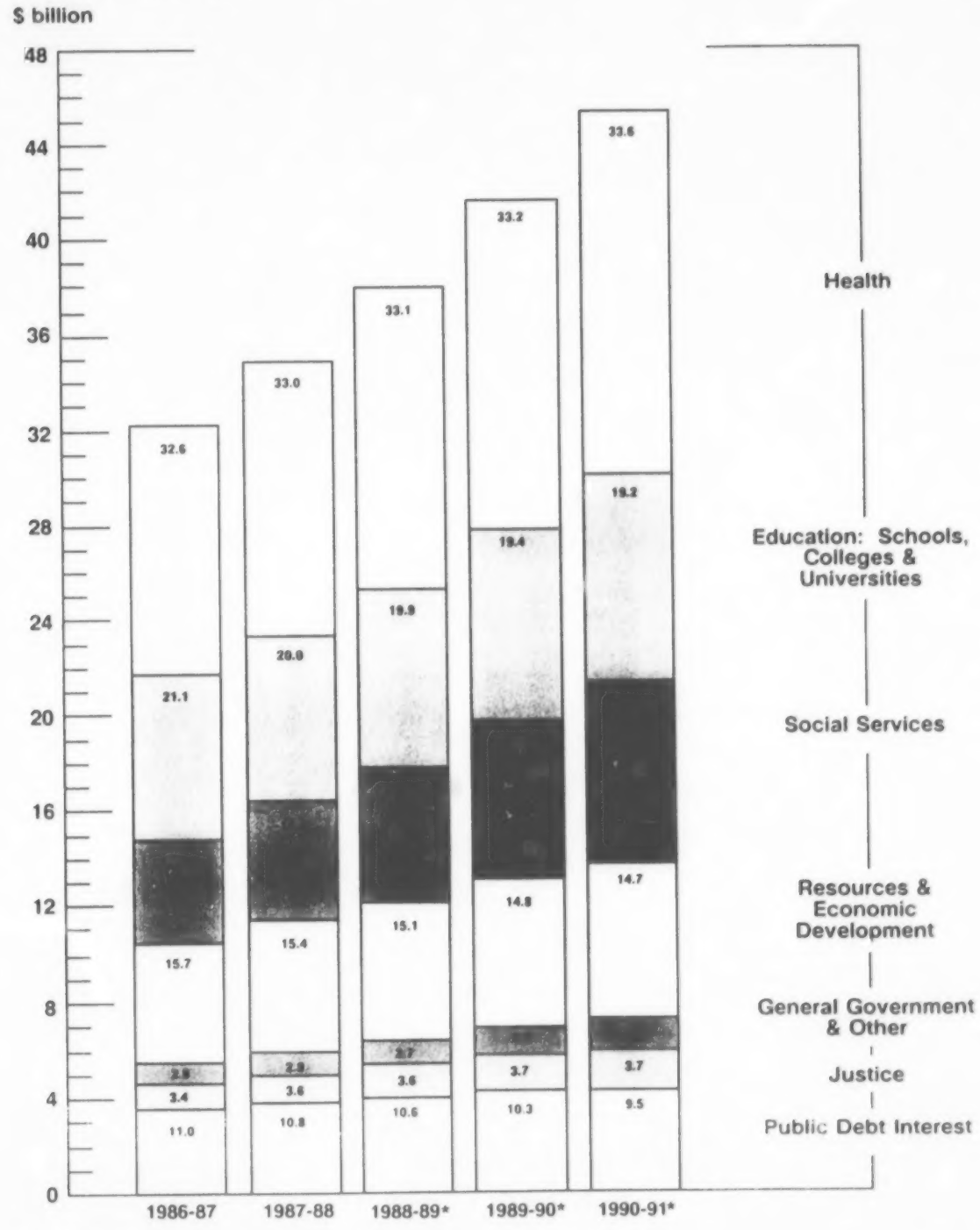
Chart C1



* OHIP premium eliminated December 31, 1989 and Employee Health Tax introduced January 1, 1990.

Expenditure Functions: Per Cent of Total
1986-87 to 1990-91

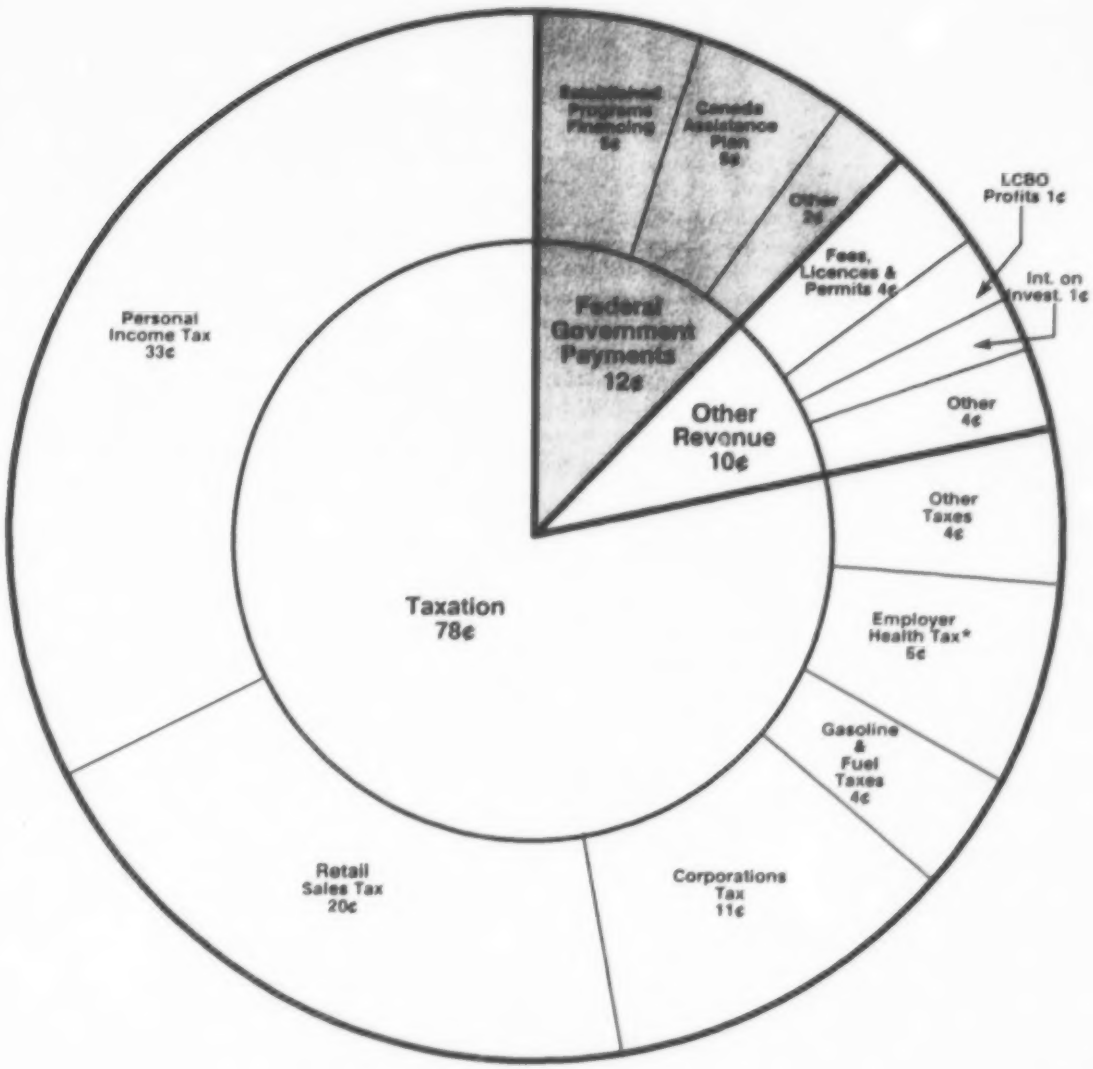
Chart C2



* Excludes advance payments

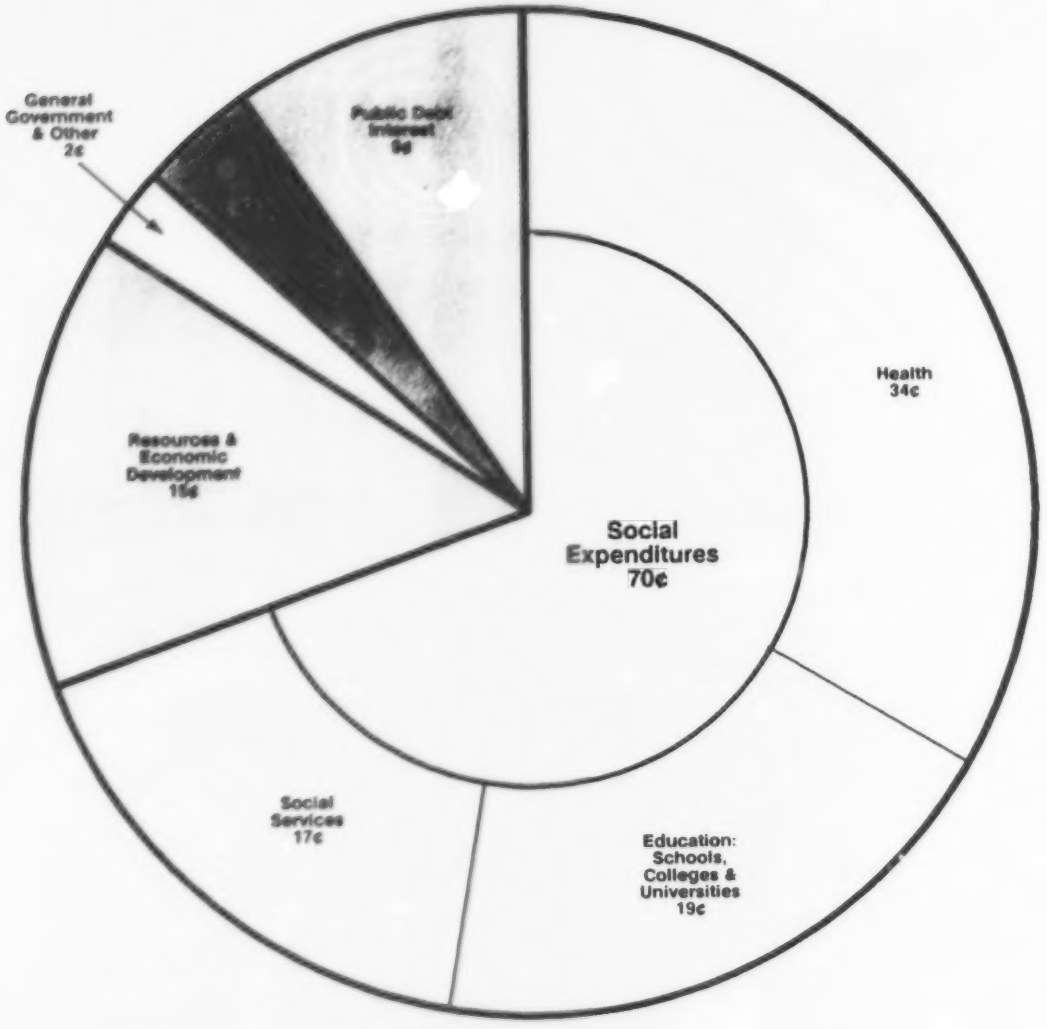
The Budget Dollar: Revenue, 1990-91

Chart C3



* OHIP premiums eliminated and Employer Health Tax introduced January 1990.

The Budget Dollar: Expenditure 1990-91 Chart C4


General Government & Other 2¢
Public Debt Interest 9¢
Health 34¢
Resources & Economic Development 15¢
Social Expenditures 70¢
Social Services 17¢
Education: Schools, Colleges & Universities 19¢

Notes

1. Amounts previously reported as Pensions and Related Benefits, converted to Debentures and reclassified for comparative purposes.
2. Net of tax credits of $360 million in 1988-89, $378 million in 1989-90 and $380 million for the 1990-91 fiscal year.
3. Reflects elimination of OHIP premiums and introduction of Employer Health Tax.
4. Reflects inclusion of legal aid (civil) in Canada Assistance Plan payments.
5. Comparative figures are restated to conform with current Government structure.
6. Includes Offices of the Cabinet, Lieutenant Governor, and Premier.
7. Includes Offices of the Assembly, Chief Election Officer, Ombudsman and Provincial Auditor.
8. Includes grants for municipal airports and additional funding from the Ministry of Northern Development and Mines for northern roads.
9. For 1988-89, $300 million for school capital grants and $413 million for unconditional grants were advanced from 1989-90. For 1989-90, $300 million for school capital grants was advanced from 1990-91.
10. Accumulated deficit for 1985-86 has been restated for extraordinary adjustments of $3,671 million.
11. Accumulated deficit for 1986-87 has been restated for Ontario Land Corporation and other adjustments of $22 million.
12. Gross Domestic Product (GDP) and Personal Income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

Budget Paper D: Expenditure Profile of the Ministry of Colleges and Universities

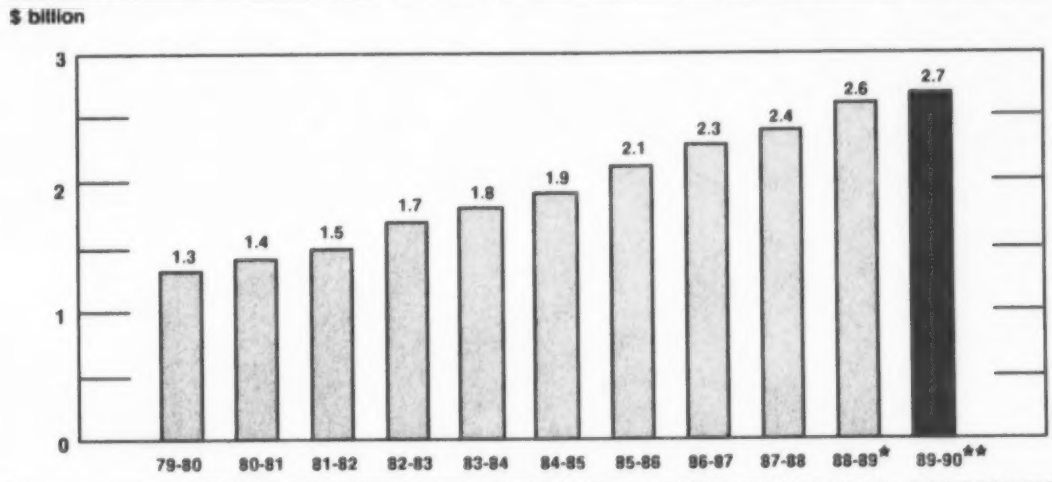
Introduction

The following expenditure profile of the Ministry of Colleges and Universities (MCU) is the fourth in a series that included the Ministries of Health and Education in 1988, and the Ministry of Community and Social Services in 1989. It is hoped that through the provision of detailed information on the expenditure programs of the Province of Ontario, the Ministry of Treasury and Economics can contribute to public discussion of Ontario's budgetary policy and expenditure priorities.

Ministry Overview

In 1979-80, expenditures by the Ministry of Colleges and Universities were $1.3 billion.[1] By 1989-90, expenditures had grown to $2.7 billion and were exceeded only by the Ministries of Health, Education, and Community and Social Services.

MCU Expenditures: 1979-80 to 1989-90



* Data adjusted to exclude impact of advance payments
** Interim
Source: Ontario Ministry of Treasury and Economics

From 1979-80 to 1989-90, MCU expenditures increased at an average annual rate of 7.4 per cent. Inflation during this period, as measured by Ontario CPI, averaged 6.8 per cent annually. Ontario's expenditures on post-secondary education grew by 6.1 per cent in real terms between 1979-80 and 1989-90.

1 MCU expenditures exclude expenditures on Skills Development programs.

This profile will concentrate on MCU's three major program areas: the University Support Program, the College Support Program and the Student Assistance Program. These programs represented 99.7 per cent of the Ministry's total expenditures in 1989-90. The remaining expenditures funded the administration of the Ministry.

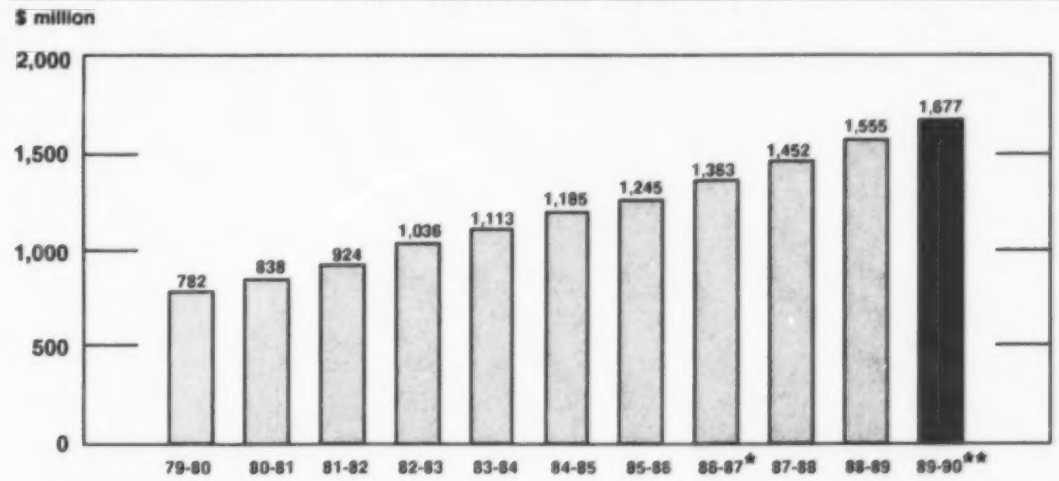
The University Support Program is the largest expenditure item for the Ministry, with a budget of $1,778 million in 1989-90. These expenditures support the operation of Ontario's 22 universities and related institutions. Expenditures on the College Support Program in 1989-90 totalled $749 million and supported the operation of Ontario's 23 community colleges.[2] Student Assistance Program expenditures totalled $207 million in 1989-90, and provided financial assistance to over 100,000 students. Expenditures on Ministry Administration in 1989-90 totalled $7 million.

Over the ten-year period, the distribution of MCU expenditures remained relatively stable. Between 1979-80 and 1989-90, the University Support Program's share of MCU's total expenditures decreased marginally from 66 per cent to 65 per cent; the College Support Program expenditures increased from 26 per cent to 27 per cent; Student Assistance expenditures increased from 7 per cent to 8 per cent; and the share for Ministry Administration decreased from 0.4 per cent to 0.3 per cent.

University Support Program

The University Support Program has two major expenditure components; university operating grants and capital grants. Operating grants increased at an average annual rate of 7.9 per cent during the past ten years, and totalled $1,677 million in 1989-90.

Operating Grants to Universities: 1979-80 to 1989-90



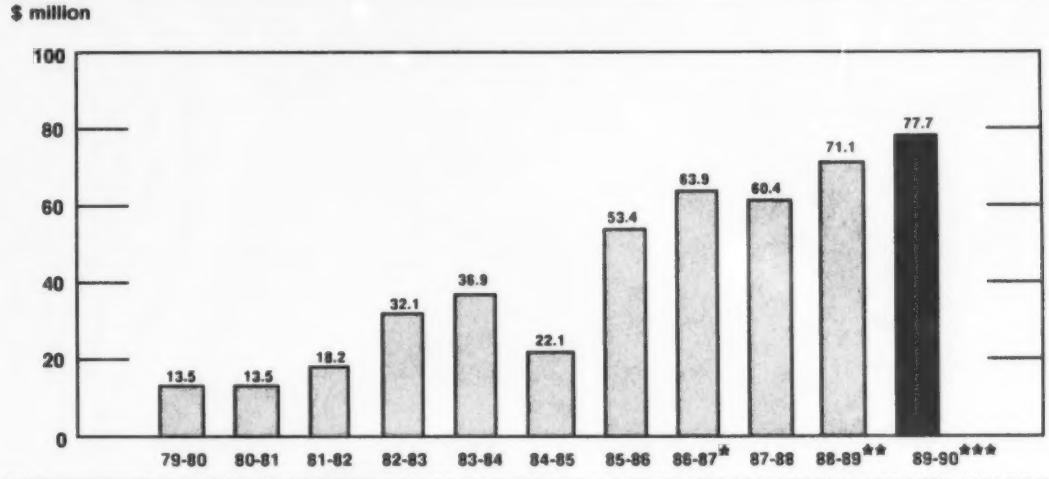
* Adjusted to include the Excellence Fund
** Interim
Source: Ontario Ministry of Treasury and Economics

2 One of the colleges, La Cité Collégiale, will not begin academic operation until the fall of 1990.

In 1987-88, Provincial expenditures represented 78 per cent of total university operating revenue. Tuition fees contributed a further 18 per cent, with the remainder of revenues coming from investment income, other fees and donations.

Capital grants to universities increased from $13.5 million to $77.7 million between 1979-80 and 1989-90, at an average annual rate of 19.1 per cent. Capital grants are used to fund major construction or renovation projects, while ongoing maintenance and minor repairs are funded through operating grants.

Capital Grants to Universities: 1979-80 to 1989-90



* Adjusted to include the Excellence Fund
** Data adjusted to exclude impact of advance payments
*** Interim
Source: Ontario Ministry of Treasury and Economics

University Enrollment

Total university enrollment has increased from 239,748 students in 1979-80 to 306,298 students in 1989-90, representing an average annual growth rate of 2.5 per cent. Enrollment for both full-time and part-time undergraduate students has increased at an average annual rate of 2.6 per cent. At the graduate level the full-time average annual growth rate is 2.9 per cent, while the part-time annual growth rate stands at only 0.1 per cent.

Research Support Program

The Ministry of Colleges and Universities administers a number of programs intended to support basic and applied research at Ontario universities, and entrepreneurship research and education at Ontario colleges and universities. The University Research Incentive Fund (URIF) encourages universities to collaborate with the private sector in joint research ventures by matching private sector investment in short-term university contract research. To date, over 400 joint

research ventures have been approved, with the universities receiving more than $31 million since URIF's inception.

The Ministry also provides transfer payments to the Ontario Centre for Large Scale Computation ($1.5 million in 1989-90) - and the Canadian Institute for Advanced Research ($1.25 million in 1989-90).

International Activities

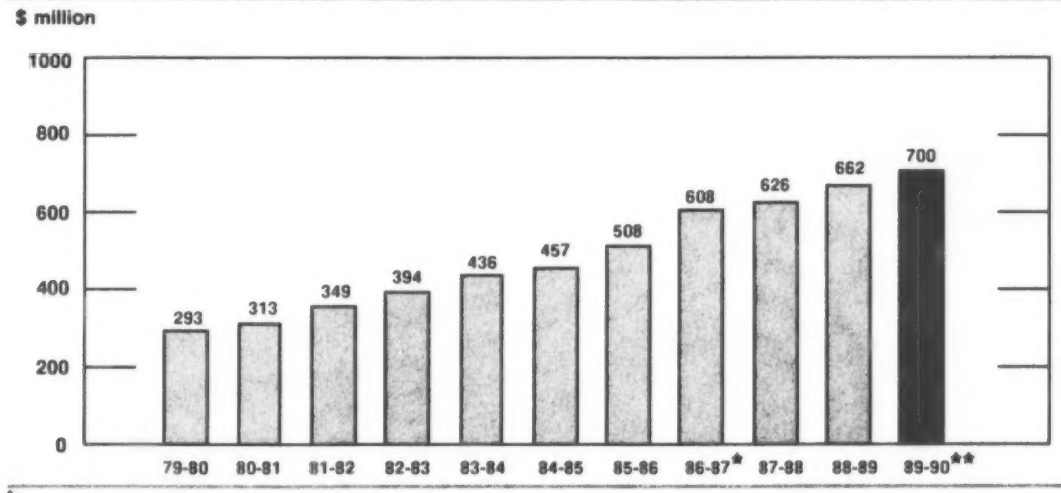
The Ministry provides transfer payments to support Provincial priorities in promoting international education and trade. The Centre of International Business will receive $6 million over the five years 1988-89 to 1992-93. Grants are also made in support of the Centre for International Studies and the Ontario-Jiangsu Academic Exchange Agreement.

College Support Program

The College Support Program is the single largest source of funds for colleges of applied arts and technology in Ontario. It represents, however, only 51 per cent of total college operating revenue. Colleges also receive revenue from course purchases by the Ontario Ministry of Skills Development and the federal government. For purposes of this profile of MCU expenditures, these have been excluded.

The College Support Program has two major expenditure components; operating grants and capital grants. College operating grants have increased from $293 million to $700 million during the past ten years, at an average annual rate of 9.1 per cent. In 1989-90, Provincial expenditures represented almost 90 per cent of colleges' operating revenues, with tuition fees accounting for 10.8 per cent.

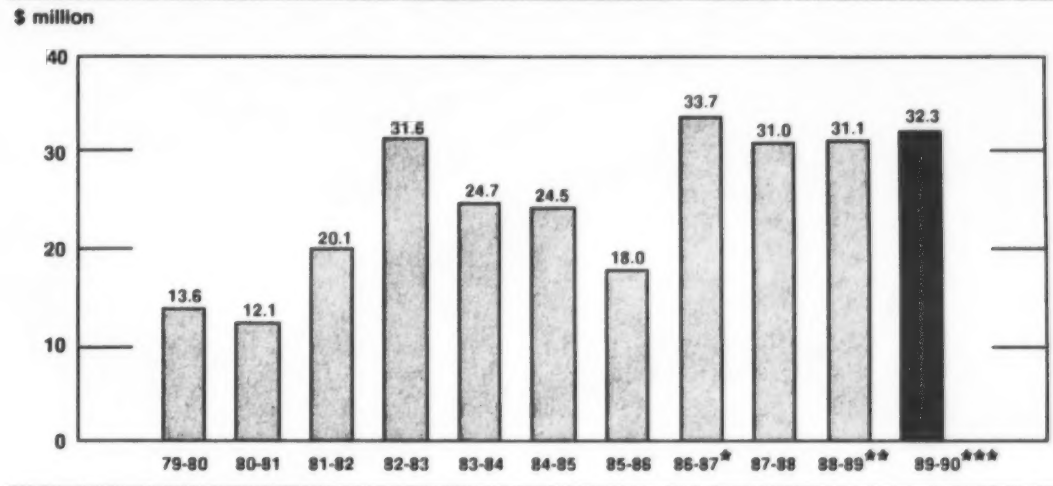
Operating Grants to Colleges: 1979-80 to 1989-90



* Adjusted to include the Excellence Fund
** Interim
Source: Ontario Ministry of Treasury and Economics

Capital grants to colleges increased from $13.6 million in 1979-80 to $32.3 million in 1989-90, at an average annual rate of 9 per cent. The Ministry of Colleges and Universities designates the majority of capital funding to colleges on a project basis. A portion of the capital funding is distributed to colleges on the basis of enrollment, to be used at the colleges' discretion. All capital projects and cash flows are, however, subject to Ministry approval.

Capital Grants to Colleges: 1979-80 to 1989-90



* Adjusted to include the Excellence Fund
** Data adjusted to exclude impact of advance payments
*** Interim
Source: Ontario Ministry of Treasury and Economics

College Enrollment

College enrollment has increased from 296,182 students in 1979-80 to 422,634 students in 1989-90, at an average annual rate of 3.6 per cent. Most of this growth has resulted from an increase in part-time students. These enrollment figures represent the number of students supported by the operating grants provided by MCU to the colleges, and imply that one in 17 Ontarians aged 17 and over directly benefits from operating grants provided to the college system.

Private Vocational Schools

The Ministry of Colleges and Universities also regulates the operation of Ontario's 240 registered private vocational schools. Private vocational schools are privately owned and operated as commercial enterprises and must be registered under the Private Vocational Schools Act, which is administered by MCU.

Registration of a school under the Act means that it has complied with the minimum standards required by the Act regarding curricula, teacher qualifications, advertising,

refund policies, etc. All of the private vocational schools have the common objective of bringing the student to the level of a practitioner of an advertised occupation in the shortest length of time. In 1989-90, approximately 35,000 students were registered in private vocational schools in Ontario.

MCU expenditures on the Private Vocational Schools Program are confined to the portion of Ministry administration required to govern the Private Vocational Schools Act. In 1989-90, these costs amounted to $406,500.

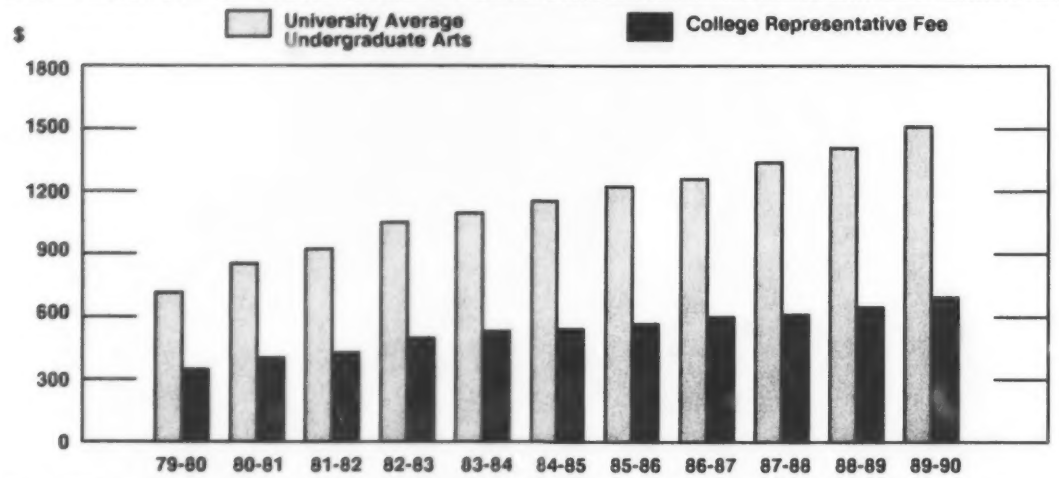
Tuition Fees

Tuition fees represent the student's contribution towards his or her education and are a significant source of university and college revenues.

Between 1979-80 and 1989-90, Ontario university tuition fees for a full-time undergraduate arts course of study increased from $720 to $1,518, representing a 7.7 per cent average annual growth rate. In 1979-80, tuition fees contributed $142 million, or 14 per cent of universities' operating revenues. In 1989-90, tuition fees paid by university students generated an estimated $366 million, representing 18 per cent of Ontario universities' operating revenues.

College tuition fees, with few exceptions, are the same for all programs. The standard tuition fee for a full-time college student in 1979-80 was $345; by 1989-90 this increased to $685, representing an average annual growth rate of 7.1 per cent. In 1979-80, tuition fees contributed $34.6 million, or 9.3 per cent, of college operating revenues. In 1989-90, tuition fees paid by college students generated an estimated $100 million, or 10.8 per cent, of Ontario colleges' operating revenues.

Tuition Fees for Post-Secondary Institutions: 1979-80 to 1989-90



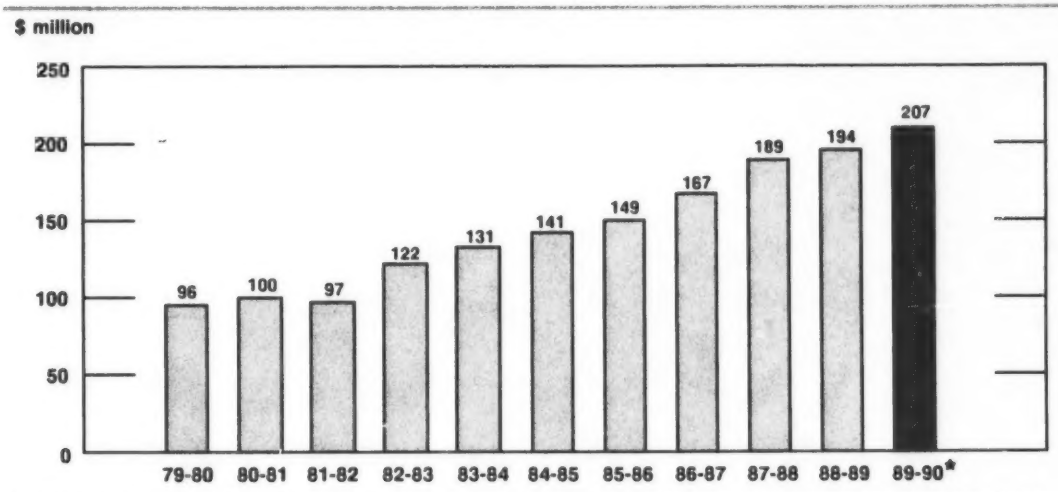
Source: Ontario Ministry of Colleges and Universities

Student Assistance

In order to facilitate access to higher education in Ontario, student assistance programs were established to provide financial assistance to students, primarily through loans and grants under the Ontario Student Assistance Program (OSAP), as well as through awards for academic merit. Between 1979-80 and 1989-90, expenditures on student assistance increased from $96 million to $207 million, at an average annual growth rate of 8 per cent.

The principal component of Student Assistance is the Ontario Student Assistance Program. OSAP consists of several plans, including the Ontario Study Grant Plan, the Ontario Student Loans Plan, the Ontario Special Bursary Plan, the Ontario Work Study Plan, and the Canada Student Loans Plan. The Canada Student Loans Plan is funded by the federal government, although eligibility assessments are administered by Ontario. OSAP accounts for 93 per cent of the total student aid provided through the Ontario Government.

Provincial Expenditures for Student Assistance: 1979-80 to 1989-90



* Interim
Source: Ontario Ministry of Treasury and Economics

College and university students are eligible for OSAP assistance. Also eligible are students registered in private vocational schools, those attending agricultural colleges funded through the Ministry of Agriculture and Food, and those Ontario students attending a post-secondary institution outside of the province but within Canada. Both full-time and part-time students may receive financial assistance from OSAP.

Grants and loans awarded by the OSAP program are determined by reviewing a student's resources and the allowable costs for attending a post-secondary institution. The resources of the student's parents or spouse are also considered when assessing the student's application. The full cost of tuition fees is recognized in determining

OSAP awards. Unlike some of the other provincial student assistance programs, OSAP offers grant funds before loan funds to students in need of financial assistance.

During the 1988-89 academic year, a total of 100,025 college and university students received financial assistance through the OSAP program.

Other student aid programs within the Student Assistance Program include Ontario Graduate Scholarships, Ontario/Quebec Exchange Fellowships, Fellowships for studying in French and Bursaries for Summer French Courses.

Conclusion

This profile has outlined the trends in Ontario Government expenditures on post-secondary education over the past decade.

These expenditures represent a significant contribution towards the maintenance and expansion of Ontario's highly skilled and educated labour force. Over the next decade and beyond, Ontario's ability to remain competitive in an increasingly global economy will depend upon such human capital. Ontario's colleges and universities face the continuing challenge of meeting the needs of students and employers by offering educational and training opportunities which are relevant and timely in a rapidly evolving economy.

Budget Paper E: The Costs of Public Services

Each year, Budget Paper C provides a global expenditure plan on a ministry by ministry basis with limited reference to the costs of specific programs. This paper provides a sample of the costs of specific public services which receive financial support from the Provincial Government. The examples used are for a variety of major programs which ordinary individuals may use, or come into contact with on a frequent basis.

All the costs noted below are estimates for fiscal year 1989-90, unless otherwise noted.

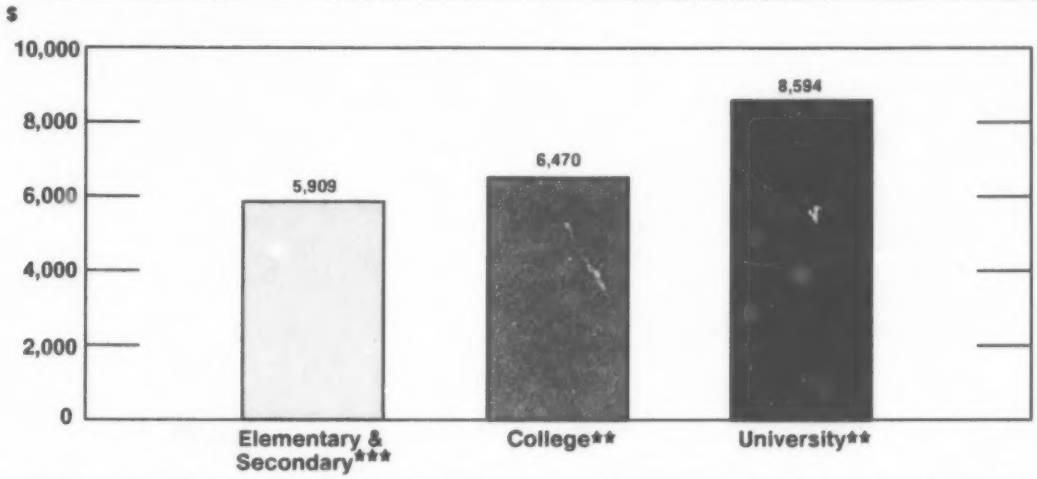
Health

- The Ministry of Health spends more than $1.5 million on health care every hour.
- Provincial funding in support of hospitals is equivalent to $630 for every resident of Ontario.
- The average cost of one night's stay in an acute care hospital bed is $350.
- In 1987-88 an average of 4,000 patients were admitted each day to Ontario's hospitals.
- Cardiovascular surgery is the most frequently performed surgery in Ontario, at a cost ranging from $18,000 to $25,000.
- There were more than 35,000 visits each day to hospital out-patient and emergency departments in 1987-88.
- Each day Ontario pays for 100,000 claims for prescription drugs for seniors and social welfare recipients.
- The average prescription costs $19.60, of which about $6.15 represents the pharmacist's dispensing fee, with the remaining $13.45 for the cost of the drugs.
- Ground ambulances make more than 1 million calls a year.

Education: Schools, Colleges & Universities

- There were almost 3 million students registered in Ontario's elementary, secondary and post-secondary schools.
- The following chart shows the annual cost per student across the education system.

Annual Cost Per Student*



* Data excludes capital funding of facilities
** Includes tuition revenue
*** Includes local school board spending

- The Ontario Student Assistance Program (OSAP) provided financial aid to 100,025 students during the 1988-89 academic year.
- The average OSAP award in 1988-89 for students enrolled in universities was $2,289 in grants and $2,424 in loans. For college students, the average award was $2,137 in grants and $1,684 in loans.

Social Services

- There were 589,214 individuals, including 251,629 children, receiving Social Assistance in Ontario.
- Below are examples of monthly allowances in the Family Benefits Allowance program, which provides longer-term social assistance. The allowances vary according to family size, shelter costs, employability and duration of financial need, as illustrated in the following table.

Monthly Family Benefits Allowance* ($)	
Single disabled person	818
Couple, one disabled	1,267
Single Parent with 1 Child under 12	1,065
Single Parent with 2 Children under 12	1,213

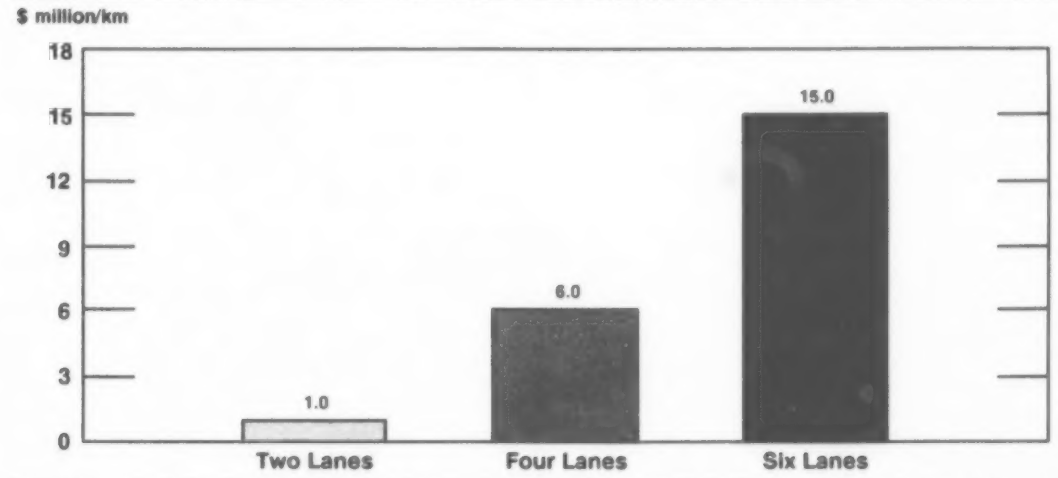
* Total allowance, including maximum shelter allowance

- There are over 139,000 Provincially funded Rent Geared-to-Income housing units in Ontario, with an average annual subsidy cost of $5,000 per unit.
- The average federal and Provincial contribution for one child in a subsidized, non-profit licensed child care centre was $26.63 per day. There are about 45,000 subsidized child care spaces in Ontario.
- There are currently 79 emergency shelters and family resource centres with 1,273 beds for battered women and their children in the province. The annual operating cost for a ten-bed shelter is approximately $275,000.

Resources & Economic Development

- The following chart shows the cost per kilometre of two-, four- and six-lane highway design and construction in southern Ontario, excluding the cost of land acquisition.

Cost Of Highway Construction in Southern Ontario: 1989



- It costs the Province approximately $14 million for a typical highway interchange and as much as $90 million to build one major freeway cloverleaf intersection, excluding property acquisition.
- The average construction cost of one kilometre of a subway line is $80 million.
- To purchase one GO train, including the locomotive, cab car and nine coaches, costs about $16 million.
- It costs about 20 cents for each tree planted; about 162 million trees were planted last year in Ontario. On average, reforestation costs about $1,600 per hectare.
- There are 261 Provincial Parks across Ontario, with more than 19,700 campsites.

- The Crop Insurance Commission offers all-risk Crop Insurance for 52 crops. In 1989, 18,000 farmers purchased Crop Insurance.
- The capital cost of providing drinking water and sewage services to a typical house in a small Ontario community ranges from $27,000 to $40,000.
- There are more than 1.8 million Blue Boxes currently in place for household waste recycling in over 300 Ontario communities.
- The cost to collect a tonne of recyclable garbage is about $110.

Justice

- It cost, on average, $115 for one inmate to stay one day in a Provincial Adult and Youth Correctional Facility.
- The Legal Aid program issued some 131,000 legal aid certificates, and the average cost per completed case was about $1,000.

General Government

- According to Statistics Canada, in 1989, for every Provincial civil servant there were 115 Ontarians. In comparison, for every one federal civil servant there were 89 Canadians.

Summary

These selected examples of unit costs have been presented to provide a better sense of the costs of these services to the general public.

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